

● TRADE ● insight

FOR A
**SHARED
FUTURE**
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South Asia Watch on Trade,
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REGIONAL ADVISORY BOARD

Bangladesh

Dr. Debapriya Bhattacharya

India

Dr. Veena Jha

Nepal

Dr. Posh Raj Pandey

Pakistan

Dr. Abid Qaiyum Suleri

Sri Lanka

Dr. Saman Kelegama

CONSULTING EDITOR

Hari Uprety

ASSOCIATE EDITOR

Asish Subedi

ASSISTANT EDITOR

Dikshya Singh

DESIGN

Bipendra Ghimire
Effect, +977-1-4433703

COVER & ILLUSTRATION

Abin Shrestha

PRINTED AT

Orange Press, Lalitpur
Tel: +977-1-5010801



P.O. Box: 19366

Tukucha Marg

Baluwatar, Kathmandu, Nepal

Tel: +977-1-4424360/4444438

Fax: +977-1-4444570

E-mail: sawtee@sawtee.org

Web: www.sawtee.org

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South Asian puzzle needs sorting

EVEN though most of the countries emerged from a shared colonial past, the divergences in inter-state, intra-state and human dimensions that have developed over the years and decades are significant in South Asia. A good opportunity presented itself before them to close these gaps in the form of a regional organization in 1985, with the establishment of the South Asian Association for Regional Cooperation (SAARC).

SAARC and its institutions began developing, gradually overcoming many of the members' bilateral grievances. But overcoming entrenched differences is not easy and hiccups are witnessed from time to time. Such setbacks have so far been swept over by newer cooperation initiatives to provide a semblance of normalcy in the region's collective efforts for development.

Only recently, another setback emerged for SAARC—the failure to hold its regular summit scheduled for late 2016 in Islamabad—because of bilateral problems of member countries. The summit got stalled at a time when the global order is undergoing rapid changes. Regional cooperation is crucial during such periods if only to adapt to the changes.

This is not the first time that a SAARC summit got cancelled due to bilateral developments arousing mistrust. Venues have been changed too. If there is any lesson to be learnt from these half a dozen mishaps, it is that regional efforts should not be held hostage by bilateral bickering. The collective must not be sacrificed at the altar of the individual interest.

There is no doubt in any member's mind that development of the entire region is necessary and that SAARC is the vehicle that can build on the region's past work to foster regional cooperation to do away with insecurities and underdevelopment.

Nowhere in the world are problems and challenges of security and development more conspicuous than in South Asia. Home to 42 per cent of the world's poor, the region suffers from extreme forms of social exclusion, inequalities and huge infrastructure gaps. Therefore, South Asia is at the centre stage for the fight against global poverty.

Regional measures must be in place to attract international efforts to ward off all these human tribulations. There are already international plans awaiting collective action. Sustainable Development Goals (SDGs) are an example that provides a comprehensive collective agenda for the eradication of these insecurities. South Asia urgently needs to localise such initiatives and integrate them with its own development plans. The issue is too huge to be tackled by individual countries. Transnational issues—such as terrorism, food security, environment and energy—demand cooperation among countries.

It is impossible to achieve growth and development in an environment of mistrust, armed conflicts and perpetual political instability. The needed cooperation can only take place when the negativities are addressed. And, here, it is economic integration that can help maintain regional peace and security—the basic requirements for growth and development.

South Asia, therefore, should strive for peace and harmony among and within member states for regional integration and development. The economic goals of regional integration need to be complemented by a broader vision that incorporates regional goals to fight against various forms of insecurities.

Given the animosity among SAARC member states, 'Track II' diplomacy involving non-state actors, becomes vital in strengthening overall cooperation in South Asia. In the past, this has been an important tool for South Asia to revitalize regional cooperation when the collective interest to do so is seen to be fading. It is time for all to engage themselves for a shared future of South Asia. ■

Peace and harmony for development in South Asia



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Views expressed in *Trade Insight* are of the authors and do not necessarily reflect the official position of SAWTEE or its member institutions.

New India-Bangladesh rail link

BANGLADESHI Railways Minister Mr. Mazibul Hoque, along with his Indian counterpart Mr. Suresh Prabhu, laid the foundation stone of a project to link Akhaura in Bangladesh and Agartala in India on 31 July 2016.

According to the Bangladesh Railways, the new link's total route length is 15.064 km out of which 10.014 km is in Bangladesh and 5.050 km in India.

Bangladesh and India had signed a Memorandum of Understanding for constructing the railway under Indian grant in February 2013. (*www.newagebd.net*, 29.07.2016) ■

'FTAs threaten farmers' rights, food security'

SMALL farmers around the world are threatened by new free-trade agreements, a civil society group argues.

"Those agreements go beyond the requirements of agreed international intellectual property rules and jeopardize the ability of small farmers to save, produce, and exchange seeds", the group said.

According to GRAIN, a Spain-based organization, a number of free-trade agreements (FTAs) negotiated outside the World Trade Organization (WTO) go beyond the WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS).

GRAIN's latest opinion piece, part of its "Against the grain" series, fo-

cuses on the potential threat of FTAs, such as the Trans-Pacific Partnership (TPP) agreement and the Regional Comprehensive Economic Partnership (RCEP) in Asia.

It has said that corporations in the United States and European Union are pushing for provisions which would allow companies to take patents on plants and animals, for countries to adopt the rules of the 1991 Convention of International Union for the Protection of New Plant Varieties (UPOV), and to join the Budapest Treaty on the recognition of deposits of micro-organisms "for the purpose of patent protection". (*www.ip-watch.org*, 21.07.2016) ■

Bangladesh, India merge South Asia's biggest land port

BANGLADESH and India have merged the busiest land check-post at the Petrapole-Benapole border, easing the movement of people and goods to take their relations a notch higher. The prime ministers, Ms. Sheikh Hasina and Mr. Narendra Modi, opened the new 'Petrapole Integrated Check Post (ICP)' through a video call on 7 July 2016.

This is the second ICP on the India-Bangladesh border after Agartala, Tripura and the biggest anywhere on India's borders. The High Commission of India says it will also be the biggest land port in South Asia.

Around 70 to 80 per cent of the India-Bangladesh trade passes through Petrapole-Benapole. Trade worth around US\$5 billion takes place at Petrapole, which is more than all the other Indian land ports and land customs stations put together.



About 1.2 million people and 150,000 trucks cross Petrapole-Benapole annually, according to the Indian High Commission in Dhaka. The handling capacity of this ICP is expected to double with the commissioning of the integrated post, and the local

business community will benefit from reduced transaction time and costs.

The next land customs station to be upgraded will be Dawki in Meghalaya, where land acquisition for the project has been completed. (*www.bdnews24.com* 21.07.2016) ■

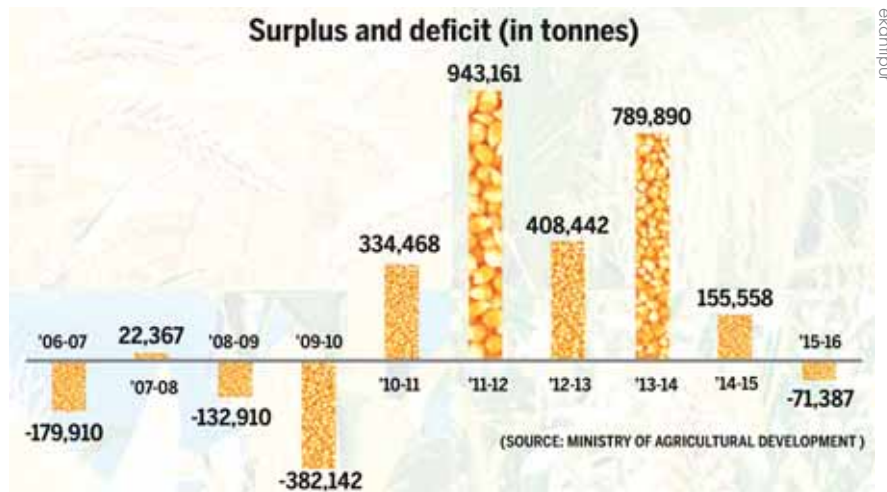
Nepal slides back into food deficit

NEPAL slid back to being a food deficit nation due to a sharp drop in cereal production triggered by multiple environmental and political stresses.

According to Nepal's Ministry of Agricultural Development, the country faced a food deficit of 71,387 tonnes in the year ending mid-July 2016. The edible grain output totalled 5.27 million tonnes against a requirement of 5.34 million tonnes in 2015.

The country produced 652,000 tonnes less food grain as severe droughts, floods, earthquakes and the Tarai unrest induced shortages of fertilizer and diesel. Wheat output plunged 12.1 per cent to a six-year low of 1.73 million tonnes and paddy output, the country's major cereal crop, fell 10.2 per cent to 4.29 million tonnes.

"The food deficit has already sent the import bill soaring," said Mr. Dinesh Bhattarai, Chief Statistician at the Ministry.



"Nepal's food imports have not been factored into the deficit." He said that a good monsoon this year has raised hopes for a fine summer harvest. The Trade and Export Promotion

Centre said the country's cereal import bill jumped nine per cent to US\$3.5 billion in the first 11 months of the last Fiscal Year. (<http://kathmandupost.ekantipur.com>, 20.07.2016) ■

Afghanistan 164th WTO member

AFGHANISTAN has become a World Trade Organization (WTO) member following its Parliament's ratification of the Protocol of Accession.

According to WTO rules, Afghanistan became the 164th member of the Organization on 29 July 2016, 30 days after its instrument of acceptance was deposited at the WTO. Afghanistan applied for WTO membership in 2004, with members of the accession working party concluding the negotiations on 11 November 2015.

Afghanistan is the 36th government and the ninth least-developed country (LDC) to join the WTO following accession negotiations since the global trade body was established in 1995.

Liberia, also an LDC, became the 163rd WTO member on 14 July. LDCs represent a fifth of the WTO membership. (www.wto.org, 29.07.2016) ■

Bangladesh left out of GSP again

BANGLADESH has once again been left out of the American list of beneficiary countries for trade privileges from the United States (US) on grounds of poor labour rights.

The list of beneficiaries for the Generalized System of Preferences (GSP) scheme was updated in June 2016 by the United States Trade Representative (USTR), the chief trade negotiation body for the US government.

Bangladesh was first suspended from the GSP scheme in April 2013, shortly after the Rana Plaza collapse, on grounds of shortcomings in workplace safety and poor labour rights in the garment sector.

Ecuador, Fiji, Georgia, Indonesia, Iraq, Niger, the Philippines, Thailand, Ukraine and Uzbekistan have also been excluded, mostly for poor labour rights. (www.thedailystar.net, 11.07.2016) ■

Bangladesh to allow neighbours to use Mongla

THE Prime Minister's Office (PMO) of Bangladesh has asked the Ministry of Shipping (MoS) to take necessary steps for providing transit facilities to India, Nepal and Bhutan to use Mongla Port.

In a recent letter, the Prime Minister's Economic Affairs Adviser, Dr. Mashiur Rahman, conveyed the message to the Shipping Minister Mr. Shajahan Khan.

He mentioned that Prime Minister Ms. Sheikh Hasina took the decision on the basis of a plea of the Khulna Chamber of Commerce and Industry (KCCI).

India wants to use Bangladesh's seaports to carry goods to its north-eastern states. Nepal and Bhutan are also interested to use the ports for facilitating their external trade.

In June, last year, Bangladesh and India signed a Memorandum of Understanding for letting Delhi use Chittagong and Mongla Ports. The necessary agreement and protocols are yet to be finalized for implementation of the memorandum. (*www.thefinancialexpress-bd.com*, 09.09.2016) ■

SAARC agrees on plan to harmonize energy trade

ENERGY regulators of the South Asian Association for Regional Cooperation (SAARC) have agreed to harmonize regulations, codes and standards of electricity grids for cross-border electricity trade in the region.

On 23 September 2016, the National Electric Power Regulatory Authority of Pakistan reported, after a two-day meeting, that the regional regulators had an agreement on a plan of action on energy regulations.

The member states agreed on Pakistan's proposal to include matters relating to existing market structure and evolving structure in the SAARC Plan of Action on Energy Regulations (Electricity).

This is expected to move SAARC towards a competitive market, benchmarking the performance of transmission and distribution entities and benchmarking efficiency and availability targets of generation facilities under a regulated environment.

The meeting was informed that Bhutan, Nepal and India have ratified the SAARC Framework Agreement. Other members were urged to ratify it as a priority before the 19th SAARC Summit.

The regulators also agreed to 'deliberate on regulatory issues relating to cross-border electricity trade with a view to harmonize the elements' for which sharing of studies by international partners would be vital for resolving issues. (*www.dawn.com* 24.09.2016) ■

India approves highway project linking Bangladesh, Bhutan, Nepal

INDIA has approved an ambitious US\$1.04 billion project for constructing and upgrading 558 km of roads to link it with Bangladesh, Bhutan and Nepal.

The road project will cover West Bengal and Manipur on the Indian side. The new project was recently given an official nod by India's Department of Economic Affairs.

Fifty per cent of the funding will come from the Asian Development Bank (ADB). India expects to ease the movement of passengers and cargo, as part of the larger effort to increase intra-regional trade, by 60 per cent.

"The mandate is for completing the project within the next two years," a senior official said. "The primary idea behind the Bangla-

desh-Bhutan-India-Nepal (BBIN) road initiative is to improve ground connectivity in the region," said India's Ms. Leena Nandan, Joint Secretary, Ministry of Road Transport and Highways.

"We have taken up five highway stretches in the country, which are very important for such a connectivity to succeed," Ms. Nandan said. (*www.bdnews24.com* 18.09.2016) ■

Indian ban leaves Nepali ginger rotting

THE Indian government's decision to impose a ban on import of ginger from Nepal has left the future of Nepal's ginger farming highly uncertain. Claiming that ginger being imported from Nepal contained a high level of pesticide residue, India has imposed the ban. It also claimed that Chinese ginger was being re-exported instead of the Nepalese product.

At present, when the season of ginger production is at its peak, India has been insisting on a complete ban in the import of Nepalese ginger. Entrepreneurs trying to export their products to India have been told to compulsorily submit lab report on quality.

The already diminishing market for the country's ginger has been shrunk even further by

the complication. Ever since Nepal started commercializing ginger production, India has been Nepal's major buyer.

However, India soon started mass production of ginger, making it unnecessary to depend on imports to meet its market demand. As a result, India has been steadily reducing imports from Nepal for the past two years, according to ginger farmers and entrepreneurs.

According to the Nepal Ginger Producers and Entrepreneurs Association (NGPEA), farmers and traders of Eastern Region, especially Jhapa, Ilam, Taplejung and Panchthar, have been directly affected by the ban.

NGPEA had recently sent its team to the Indian customs office at Pani Tanki, West Bengal for talks. The team was assured that ginger would

be imported only if the entrepreneurs produced lab certificates to prove that Nepalese ginger was not poisonous and that it did not pose any health risk. Entrepreneurs had then sent truckloads of the product for a lab test in Kolkata.

It takes at least one week to get the test results. However, the perishable item does not last that long.

India's move to ban ginger without informing Nepal has put farmers and entrepreneurs in a difficult position.

According to NGPEA, ginger produced from various hills and plains of the country remains stalled in godowns.

The product, especially from Mechi and Koshi, faces high risk of going to waste. (www.myrepública.com, 05.09.2016) ■

Pakistan rejects Afghan demand to include India in transit trade

PAKISTAN has rejected the demand voiced by Afghan President Mr. Ashraf Ghani that India be made a party to its transit trade pact with Kabul, saying it is not possible given Islamabad's sensitivities on security and other related issues.

Mr. Ghani had threatened to block Islamabad's trade access to Central Asian States if New Delhi was not made a partner in the pact.

Mr. Mohammed Nafees Zakaria, Spokesperson of the Ministry of Foreign Affairs, Islamabad, said that under the agreement, Afghan traders are allowed to move their products to India through the Wagah Border, but were not allowed to carry back Indian goods.

The spokesperson was responding to the reported comments made by



Mr. Ghani during a meeting with the United Kingdom's special envoy for Afghanistan and Pakistan, Mr. Owen Jenkins, in Kabul on 9 September 2016. Mr. Ghani had then threatened to

block Pakistan's trade access to Central Asian States (CAS), if it did not allow Afghanistan to trade with India via the Wagah Border. (www.thehindu.com 09.09.2016) ■

LDCs: Graduation and beyond

GLOBAL poverty is increasingly concentrated among the 48 least-developed countries (LDCs). While their share in the world population has increased only from 9.7 per cent to 12.8 per cent since 1990, the proportion of extreme poverty accounted for by LDCs has doubled from less than 20 per cent to nearly 40 per cent.

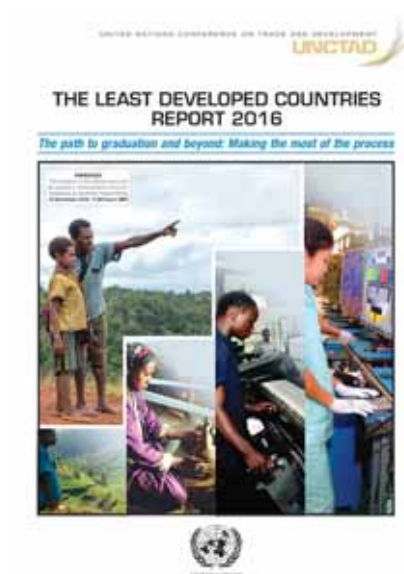
UNCTAD's (United Nations Conference on Trade and Development), Least Developed Countries Report 2016 *The Path to Graduation and Beyond: Making the Most of the Process* warns that a global goal to halve the size of the poor will be missed unless the international community takes more action.

Economic growth in the LDCs has declined 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).

Depressed exports, with a smaller decline in imports, have also led to a doubling of the merchandise trade deficit of LDCs from US\$36 billion in 2014 to US\$65 billion in 2015. The services trade deficit fell somewhat for the LDCs, from US\$46 billion in 2014 to US\$39 billion in 2015, as a shrinking deficit across African LDCs and Haiti offset an increasing deficit across Asian and island LDCs. This largely accounts for an increase of almost one third in the LDC current account deficit to a record US\$68.6 billion in 2015.

The sharp decline in commodity prices has particularly affected African LDCs. Moreover, the current world economic climate is expected to further slow down the economy of LDCs.

Accomplishing the goal of graduating half of all LDCs to developing countries by 2020 appears unlikely because of their slow rate of progress. According to the Report, only 10 countries could meet the graduation criteria by 2020, against the target



of 24. By 2025, only 16 countries are projected to have graduated, including the four South Asian LDCs—Afghanistan, Bangladesh, Bhutan and Nepal. 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 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. These factors in turn result in aid dependence and accumulation of foreign debt.

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. By contrast,

migrants' remittances, which were less than half as much as ODA in the early 1970s, are now three times as great as ODA.

At the same time, foreign direct investment (FDI) rose by one third to US\$35 billion, most being directed to African LDCs. Contrary to worldwide trends, workers' remittances to LDCs also rose in 2015, reaching US\$41.3 billion.

The Report calls for an effective international support mechanism to accelerate LDC's progress towards graduation. More importantly developed countries need to give duty-free and quota-free access for LDCs' exports. UNCTAD urges the developed countries 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 proposes a finance facilitation mechanism to serve as a 'one-stop shop' to improve LDC's access to development finance.

Graduation of LDCs is only expected to mark a move from economic dependence to a state of greater self-reliance. Graduation would also mean that the countries would be stripped off of all preferential treatment and support mechanisms being granted by developed countries. Structurally, they must transform into a competitive economy resilient enough to stand on their own. Thus, the emphasis is on 'graduation with momentum'. The concept also accords closely with the 2030 Agenda. Graduation of LDCs and achieving the Sustainable Development Goals both require concerted efforts domestically and globally. This way, the LDCs can establish the foundation for their development and avoid the traps and pitfalls of the later stages of the development process. ■

By the waters of Leman

Now that deep regional integration is out with recent developments, such as the Brexit vote and Donald Trump's election, the WTO could again become an attractive forum.

Arvind Subramanian

FOR too long, the World Trade Organization has languished, to lift a reference from T.S. Eliot, by the “waters of Leman” (Lake Geneva). Once the world’s preeminent multilateral trade forum, the WTO has been steadily marginalized in recent years, and recent rebukes of globalization, such as the United Kingdom’s Brexit vote and the election of Donald Trump as the American president, suggest that this trend will accelerate. But these outcomes may actually have the opposite effect, owing to three key developments.

The first development is the decline of alternative trade arrangements. The WTO reached its peak in the early 2000s with more countries—most notably China, acceding.

But major trade players like the United States (US) and the European Union (EU) subsequently shifted their focus to bilateral, regional and mega-regional deals like the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP). Yet, those are precisely the deals that the Trump administration is rejecting, or, at least, postponing.

The European integration had a similar impact on the WTO, as it provided an alternative platform for intra-European trade. But, the European project has fallen on hard times, particularly with the UK’s impending departure from the EU. After Brexit, or Britain’s exit from the EU, the WTO will probably become an important forum for its trade relations with the world.

It is possible that regional trade agreements in Asia and elsewhere will continue to flourish. But, new

leadership would have to emerge. And no single systemically important country today meets the rigorous requirements of such leadership: internal political stability, economic dynamism, relatively contained risk and a steadfast commitment to open markets.

A second development that bodes well for the WTO is voters’ increasing rejection of hyper-globalization, which goes beyond creating open markets to include increased immigration in the US and Europe, harmonizing regulations and intrusive adjudication of domestic policies. In the EU’s case, it even entails a common currency.

Now that “deep” is out, the WTO could once again become an attractive forum. There will still be a lot of globalization for the WTO to facilitate and manage, because of the inexorable march of technology. The mesh-like structure of trade and investment connecting countries, embodied in global value-chains—what Aaditya Mattoo of the World Bank and I have called “criss-crossing globalization”¹—will prevent significant backsliding.

The third development is a more protectionist stance by the Trump administration. If that were to happen, its trade partners are likely to turn to the WTO for adjudication. The WTO could, therefore, become the place where US trade policies are scrutinized and kept in check. The universality of WTO membership could be its main strength, as it implies a high degree of legitimacy.

In my book *Eclipse*², I argued that multilateralism offered the best means for ensuring the peaceful rise of new powers. But, it seems that the same

argument could apply equally well to the management of receding powers.

The WTO’s revival will not happen automatically. Willing stakeholders must actively pursue it. The most obvious candidates for the job are the mid-size economies like Australia, Brazil, India, Indonesia, Mexico, New Zealand, South Africa, the UK and, possibly, China and Japan. They must work collectively to defend open markets.

Moreover, they must open their own markets not only in the traditional areas of agriculture and manufacturing, but also in new areas such as services, investments and standards. In doing so, these countries would also be responding to the increasingly transactional approach to sustaining openness that the larger traders are being compelled to adopt.

The world needs a robust response to the decline of hyper-globalization. Multilateralism, championed by mid-size trading economies with a strong interest in preserving openness, may be it. To the shores of Leman they must now head. ■

The author is Chief Economic Adviser to the Government of India. This article is adapted from Project Syndicate (<https://www.project-syndicate.org/>, 22.02.2017).

Notes

¹ Mattoo, A., and Arvind Subramanian. 2009. “Criss-Crossing Globalization: Uphill Flows of Skill-Intensive Goods and Foreign Direct Investment”. Policy Research Working Papers. Washington DC: The World Bank.

² Subramanian, A. 2011. *Eclipse: Living in the Shadow of China’s Economic Dominance*. Washington DC: Peterson Institute for International Economics.

Track II

vital for climate change cooperation in South Asia

The engagement of non-governmental, unofficial contacts and activities between a host of stakeholders serve as an informal platform to foster cooperation in climate action.

Abid Qaiyum Suleri

Climate change knows no national boundaries as it affects the whole planet. However, its effects on regions and countries are disproportionate. Based on the level of adaptation, resilience, and preparedness, some regions are more vulnerable to these changes as compared to others. South Asia is one of the most vulnerable regions to the impacts of climate change. Large population, a strong dependence on agriculture, geographic location and governance challenges make South Asia susceptible to the ravages of climate change.

South Asia is already deeply impacted by climate change despite contributing relatively little to global greenhouse gas (GHG) emissions.¹ The region is currently experiencing rising temperatures, changing precipitation patterns, more extreme weather events, including intense floods, droughts and storms, and rise in sea levels. These changes have taken a toll on the region's economic performance and on the lives and livelihoods of millions of poor people.²

These impacts are likely to worsen in the future as little has been achieved so far in the attempts at mitigating and adapting to climate change. As far as climate change is concerned, the "ab-

normal" would be the next "normal" in the region. Unusual and unprecedented spells of hot weather are expected to occur far more frequently and cover much larger areas in the future. Rainfall is expected to become more unpredictable. Abrupt changes in the monsoon could precipitate a major crisis, triggering more frequent droughts as well as greater flooding. Crop yields are expected to fall significantly by the 2040s because of extreme heat. Although it is difficult to predict future ground water levels, falling water tables could be expected to go down further on account of increasing demand for water from a growing population as well as from industry.

Melting glaciers in the Himalayas and rising sea-level at the coastal areas could significantly hurt agriculture, affecting millions of livelihood while jeopardizing food security in the region. Melting glaciers and loss of snow cover of the Himalayas are expected to alter the flows of the glacier-fed rivers affecting irrigation. Similarly, in the coastal areas, rising sea-level and storm surges could lead to salt-water intrusion in the coastal areas, impacting agriculture, degrading groundwater quality, contaminating drinking water and possibly causing a rise in

diarrhoea cases and cholera outbreaks. Additionally, seasonal water scarcity, rising temperatures and intrusion of sea water could threaten crop yields, further threatening the region's food security. Should current trends persist, substantial yield reductions in both rice and wheat could be expected in the near and medium-terms.

In addition, increased risks of physical damage from landslides, flash floods, glacial lake outbursts and other climate-related natural disasters are also expected. Climate change is also expected to have major health impacts, increasing malnutrition and related health disorders. Heat waves are likely to result in a very substantial rise in mortality and death. Climate change impacts on agriculture and livelihoods could also increase the number of climate refugees leading to social conflict.

These impacts are and will be felt most by those who are socially, economically, culturally, politically, institutionally or otherwise marginalized. In the South Asian context, these will include those living under the poverty line; women, children, the elderly, the disabled, tribal communities; those living in landlocked countries, close to coastlines and on river banks; and

those who rely on agriculture for their livelihood.

Given the vulnerabilities of these countries and the impacts they face, it is imperative for them to build their climate resilience. Resilience is defined as the ability of a system and its component parts to anticipate, absorb, accommodate, or recover from the effects of a potentially hazardous event in a timely and efficient manner, including through ensuring the preservation, restoration, or improvement of its essential basic structures and functions.³

Climate resilience and adaptation are often used interchangeably. However, resilience is a broader term than adaptation. South Asia should opt for 'adaptation' strategies that typically involve specific actions by decision makers in response to a current or anticipated threat that exceeds a threshold of acceptable impact. For example, creating urban canopies as shades against heat waves is an adaptation strategy.

In addition to adaptation measures, there is a need to work towards creating a climate resilient South Asia. The focus here must be on building the overall adaptive capacity of societies and their ability to increase such capacity. Creating and enhancing resilience to climate change can, in fact, open a window of opportunity for cooperation among regional neighbours who have common socio-economic and socio-cultural contexts.

Given the scale of climate change impacts, any step that South Asian countries take independently to combat them are likely to be insufficient. In order to make any real progress, a coordinated effort is crucial. Likewise, there is plenty that these countries can learn from each other. For example, Pakistan has just started to promote solar energy generation while the system is well established in India and rural Nepal.

In the past, historical baggage prevented many South Asian countries to collaborate to improve human development. If climate change goes unaddressed due to poor bilateral

relations among South Asian neighbours, it will be harmful for all parties and could create situations which further exacerbate tensions. For example, if India were to invest heavily in hydropower to meet its energy demands in an unsustainable manner, it could impact Pakistan's downstream water access. Additionally, India and Pakistan must work with other nations in the South Asia region, which is one of the least integrated regions of the world, to develop a regional climate strategy.

A regional climate change strategy could address, among others, areas such as enhancing water security, supporting vulnerable communities, promoting energy security and mitigating climate induced disasters.

Given the animosity among SAARC (South Asian Association for Regional Cooperation) member states, 'Track II' diplomacy involving non-state actors such as non-government organizations, scholars, experts and academics, becomes vital in strengthening overall cooperation in South Asia. This approach can certainly be effective for reducing vulnerability to climate change and enhancing climate resilience in the region. Track II engagement of non-governmental, unofficial contacts and activities between scholars, organizations and a host of other stakeholders, may serve as an informal platform to foster cooperation in climate action. It can help draw lessons from best adaptation practices and build social resilience.

The Track II approach to fight climate change is also an important opportunity to engage South Asian experts and influential persons in the climate change discourse. Such eminent personalities may be in a better position to sensitize policy makers on climate change. In addition, there is also a need that people to people interactions be facilitated including youths, journalists, local governments, research institutions and private sector and civil society organisations.

Given the existing level of engagement of 'non-state actors', in climate change cooperation in various coun-

tries in South Asia, one important support Track II can extend is in collating background data. This can be used to develop a shared repository for evidence based analysis and assessment. Civil society organisations have the capability and credibility to gather data and undertake situation analysis and research studies. They can also pilot initiatives to demonstrate effective ways of addressing climate change.

Knowledge thus generated can immensely help the Track I official diplomatic processes at the regional forums. It can bring together the South Asian governments and encourage them to renew their resolve to jointly address climate change challenges.

The engagement of 'non-state actors' could also contribute towards the implementation of the common positions taken by the countries on the global agenda. One example is the Sustainable Development Goals (SDGs)—which has included 'Climate actions' as one of the 17 goals—that will govern the post-2015 development landscape. It is thus imperative for the South Asian countries to put in place laws and institutions, in coherence with the SDGs, and take urgent actions to combat climate change and its impacts. ■

Dr. Suleri is Executive Director, Sustainable Development Policy Institute (SDPI), Islamabad. This write-up has benefited from discussions that took place in a Track II dialogue on climate change jointly organized by SDPI and Development Alternatives Group, New Delhi in 2016.

Notes

- ¹ <http://www.wri.org/resources/data-sets/cait-country-greenhouse-gas-emissions-data>
- ² Ahmed, M. and S. Suphachalasai. 2014. *Assessing the costs of climate change and adaptation in South Asia*. Philippines: Asian Development Bank.
- ³ IPCC. 2012. *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation. A Special Report of Working Groups I and II of the Intergovernmental Panel on Climate Change*. Cambridge University Press, Cambridge, UK, and New York, NY, USA, 582.

Peace and harmony

for development in South Asia

Manish Thapa

South Asia, which consists of eight states of different sizes and capabilities, is characterized by high levels of insecurity in its inter-state, intra-state and human dimensions.¹ Although most emerged as independent nations in the 1940s, they have not yet been able to settle their conflicts—both internal and external. Some have even become the epicentres of conflicts. A large set of factors are responsible for the presence of multi-faceted conflicts



including irreconcilable national, sub-national and religious identities; lack of political development (i.e. absence of proper democratic institutions and procedures); weak economies; a bulging unemployed youth; unsettled territorial disputes; and lack of regional institutions.

Harmony of contrasts

The South Asian scene, which was once described as a 'harmony of contrasts', used to give a different picture. These very contrasts with strong political and psychological undercurrents became violent and caused recurrent divisions.

Afghanistan, situated in the western periphery of the region, is an extreme case of long-standing external penetration and internal violence, largely bred by the absence or the non-establishment of a strong state.²

Conflict has been a feature of life in Afghanistan since King Zahir Shah was deposed in 1973.

Bangladesh exhibits several internal conflicts, with the army and political parties waging frequent battles for the control of state power. Political instability, weak governance and extreme poverty are a major source of socio-political tensions. Incidents of terrorism have been on the rise since 2002, mostly in the forms of bomb blasts orchestrated by Islamic fundamentalist groups, recent hackings of secularists, as well as an ongoing separatist movement in the Chittagong Hill Tracts (CHT).

Bhutan, the so-called land of the thunder dragon and the last Shangri-La, is now facing an immense challenge due to its deteriorating environment and its rising youth unemployment, which is around 7.3 per cent, amid an external debt that has soared to nearly 90 per cent of its Gross Domestic Product (GDP).

India, the largest democracy in the world, has three main sources of internal conflicts. First, there are long-running separatist movements in several north-eastern states (Assam, Manipur, Nagaland, Tripura). The second source of internal violence in India

comes from incidents perpetrated by left wing extremist groups ("Naxalite" movements) in many states of India. The third source of increasing violence in India stems from incidents of terrorism in India's cities, such as the Mumbai attack of 26 November 2008.

Maldives has suffered acute political instability for several years, and a new cycle of chaos and unrest appears to be intensifying. Continued political instability in the Maldives could damage its vital tourist trade, a key employer and earner of foreign exchange. The Maldivian economy has faltered in recent years and the country suffers from overcrowding, high unemployment rates and substance abuse. Political instability, organized corruption, youth unemployment, gang related violence and a rising sea level due to climate change are threatening the very existence of this tiny archipelago.

Nepal recently had a violent internal conflict, which has made a crucial turn for a resolution. But prolonged chaos and political instability breed many challenges that need to be overcome for a peaceful settlement of this conflict. The unstable political environment, poverty and growing ethnic tensions and religious fragmentation are some elements, which could renew violence if not handled carefully.

Pakistan has been facing several internal conflicts on religious and ethnic lines. The difficulty of maintaining a functional democracy, lack of a proper federal structure and economic integration of provinces are some of Pakistan's woes. Pakistan's education system is such that 70 per cent of its primary education is offered through religious seminaries or *madrasahs*. This absence of a liberal education system has been blamed for generating condi-

tions for many Pakistani youth joining radical religious movements that now have emerged as a major challenge.³

In Sri Lanka, the Liberation Tigers of Tamil Eelam (LTTE) had been conducting an armed campaign for a separate Tamil homeland since the early 1980s, which came to an end in 2009 after government forces quashed the armed revolt. Still, the island nation may not achieve long-term peace without properly resolving the aspirations of the Tamil population.

Besides internal problems within each South Asian state, they are also engaged in inter-state conflicts. South Asia is one of the 'critical regions with complex security' primarily due to the fact that most South Asian states are engulfed in varying degrees of conflicts and disputes. Probably, the highest number of inter-state conflicts plague the region compared to any other regional blocs. Bilateral relations are defined by antagonism and mistrust. For example, many problems between India and Nepal originate from the open border between the two countries. There are disputes between India and Bangladesh over illegal migration from the CHT and also in sharing the waters of Ganges and Teesta.⁴

Similarly, the cultural diversity based on language, religion and ethnicity is another factor that prevents the region from uniting. Rather, it frequently exerts a negative pressure on inter-state relations in most of South Asia, especially due to differences originating from the days the colonial masters left the subcontinent. The area is characterized by countries which have had widely differing political systems—democracies, military dictatorships and monarchies.

Though most South Asian states emerged from a shared colonial past—similar political experiences and common social values—divergences, however, are still significant. India and Sri Lanka are said to have performed better in the political sphere than other functioning democracies that have varying degrees of success. The beginning of the 1990s witnessed a

Besides internal problems within each South Asian state, they are also engaged in inter-state conflicts.

sweeping democratic transition in the region. But in a long-term perspective, Pakistan and Bangladesh have yet to institutionalize democracy and confirm that their political systems have the capability to keep the military out of politics. Nepal's messy transition to multi-party democracy is at the crossroads following the demise of its monarchy after a decade old Maoist insurgency. Bhutan retains the authority of its monarch as the dominant institution, while the Maldives' rocky experience with multi-party politics has not been deemed a failure so far. Culturally, South Asian countries cannot be simply lumped together. The integration of the region becomes less likely under the present circumstances marked by, among others, divided politics, diverse allegiances, differing perspectives and cultural policies.⁵

Regionalism in South Asia

South Asia has had a long history of engaging in the region-building experiment that is epitomized by the founding of the South Asian Association for Regional Cooperation (SAARC). South Asian heads of state and government formally adopted the Charter of the SAARC on 8 December 1985, with Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka as its members. At the 13th SAARC summit

meeting, held on 12–13 November 2005 in Dhaka, SAARC's membership was expanded to include Afghanistan. SAARC was created for cooperation in the socio-economic fields, based on respect for the principles of sovereign equality, territorial integrity, political independence and non-interference in the internal affairs of members.

Cooperation within SAARC was designed to complement both bilateral and multilateral relations of SAARC states. All decisions within SAARC are taken on the basis of unanimity. Bilateral and contentious issues are excluded from the group's deliberations (Article X of the Charter).⁶ Yet numerous conflicts and challenges impede full cooperation for their economic development. For regionalism to be effective, South Asia requires confidence building at multiple levels of relations.

Bilateralism has traditionally been South Asia's mainstay in weaving regional relationships. While a certain degree of multilateralism has existed in the region, it has long been marginalized. Despite the creation of SAARC, the regional institution is proving to be dysfunctional in setting up effective and viable multilateral cooperation mechanisms.

To come out of the bilateral suspicions and multilateral incompetence,

the region is adopting new ways of cooperation. Several of them have seen sub-regional or multilateral dialogues and cooperation, which bypass the regional mechanism, as a way out. Even in bilateral discussions, countries are devoting more time to these novel methods. For example, the Bangladesh, Bhutan, India, Nepal (BBIN) sub-regional initiative was envisioned to improve economic cooperation and connectivity among the four South Asian countries. For India, this initiative allows it to bypass some of the more complex political issues of SAARC and engage in direct discussions on connectivity with Bhutan, Bangladesh and Nepal. This initiative is expected to help landlocked Bhutan and Nepal integrate more effectively with the global economy. This is testimony to the region's recognition of regional and sub-regional multilateralism as an effective tool to build confidence and to ease bilateral tensions.

The momentum towards regional cooperation in South Asia was generated against a backdrop of globalization and the sway of transnational issues creeping into their domestic agenda. There is no denying that South Asia must work on a multilateral platform to deal with growing traditional as well as non-traditional security threats such as terrorism,



pandemics, piracy and energy. These issues are transnational in nature and have induced the countries to cooperate for pragmatic considerations, i.e., to promote functional cooperation. Similarly, broader non-military problems such as “economic security,” “food security,” “energy and resource security,” and “environmental security” can only be addressed through regional cooperation.⁷

Nowhere in the world are problems and challenges of security and development more prominent than in South Asia. More than 200 million people live in slums, and about 500 million go without electricity. Still, 42 per cent of the world’s poor live in South Asia—more than in any other region of the world. In addition, many countries in the region suffer from extreme forms of social exclusion and huge infrastructure gaps. The larger countries are experiencing increases in inequality. The region, home to half a billion poor, remains key in the fight against global poverty and for prosperity goals.

The multiplicity of intra-state and inter-state armed conflicts and multitudes of security threats—from both traditional and non-traditional sources—have foisted the concept of inter-linking the nexus of peace (security), harmony (cooperation) and development. A focus on economic and security integration in South Asia can provide an innovative perspective and context for understanding the connections within this nexus. The inextricable link between economic regionalism and security integration highlights the fact that it is impossible to achieve the economic growth and development objectives of integration in an environment of distrust, armed conflicts and perpetual political instability in the region. The driving force for any regional economic integration initiative in contemporary world politics has always been economic growth and development for maintaining regional peace and security.

Traditionally, “security” and “development” have been separate policy fields without much exchange taking

Box

Non-traditional security threats

Present-day diplomats are confronting new issues that challenge the very concept of what constitutes a security issue. Non-traditional security (NTS) issues—such as transnational crime, terrorism, disaster relief, information security, climate change, and public health epidemics—are now considered core national security issues.

The rise of NTS issues presents new challenges for developing a regional security architecture—What traditional and non-traditional issues can be considered true security issues? Does the state remain the exclusive actor of international politics? Does individual security derive from national security? How can the military adapt to non-traditional security issues?

Such questions present serious obstacles to establishing a formal security architecture for the NTS portfolio. Still, there remains a genuine regional interest in deepening multilateral and bilateral security cooperation.

It is necessary to define what constitutes a security issue today. Scholars have found that classical frameworks are not easily adapted to the contemporary security landscape. They instead turn to novel approaches to security studies, including ‘securitisation theory’. This concept provides an analytical framework which adapts well to both traditional and NTS issues as well as state and non-state actors. By focusing on whether a given issue represents an existential threat—typically to a state or non-state actor—securitisation theory enables analysts to both expand and limit the field of security issues.

Traditionally, adherents of securitisation theory recognize specific categories of security issues. According to Barry Buzan, these include five general categories: military, environmental, economic, societal and political issues. It is from broad categories such as these that security analysts can distil individual risks and threats.

Source: Adapted from Walsh (2011)⁸

place between the two. Different worldviews, organizational cultures, and concerns have shaped the specific approaches of scholars and practitioners in both areas. This divergence has contributed in the creation of, what some have labelled, a security-development gap.

After the end of the Cold War, and especially in the post-9/11 era, the complex relationship between security and development has increasingly been understood to be interlinked. And, the lack of security for large parts of the world’s population remains a main obstacle for the post-2015 development agenda: the Sustainable Development Goals (SDGs).

The emerging post-Cold War debate is on the securitization of development, i.e. treating development as a security issue because wars and armed conflicts exacerbate the problems of underdevelopment and insecurity. The problems of underdevelopment—such as poverty, social exclusion and gross violations of human rights— in some cases instigate violent conflicts.⁹ The World Bank’s World Development Report 2011 on “Conflict, Security and Development” stated: “One-and-a-half billion people live in areas affected by fragility, conflict, or large-scale, organized criminal violence, and no low-income fragile or conflict-affected country has

yet to achieve a single United Nations Millennium Development Goal (UN MDG)."¹⁰

Thus, there is a broad consensus that development and security are inextricably linked. Development is impossible in a security vacuum and a country which is underdeveloped risks being mired into a protracted conflict. Goal 16 of the SDG is dedicated to the promotion of peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable institutions at all levels.

South Asian countries have seen within the last decade that the region confronted a series of major security challenges threatening their economic development. They have thus seen the security and development nexus at play. From terrorism and natural disasters afflicting parts of the region with a greater frequency to the looming threat of pandemics, it has become clear that non-military threats to the security of states and societies must be addressed urgently and comprehensively. A number of security scholars in South Asia have begun to highlight and designate any security concern that is non-military in nature as non-traditional security, or NTS. In South Asia, environmental degradation, natural disasters, outbreaks of epidemiological diseases, transnational crimes, illegal migration, increased terrorism and other concerns have been classified as major non-traditional security threats that plague the region.

Aside from being non-military in nature, they are transnational in scope—neither purely domestic nor purely inter-state. They emerge with a very short notice and are transmitted rapidly as a result of globalization and the communication revolution. They cannot be prevented entirely, but can be mitigated through coping mechanisms. National solutions are often inadequate and, thus, regional and multilateral cooperation is essential. Finally, the object of security is no longer just state sovereignty or territorial integrity but also the people—

their survival, well-being and dignity, at both the individual and societal levels.¹¹

South Asian states do not have a clear common conception regarding NTS. What kinds of concerns/threats fall under NTS? Despite the emerging trend toward security framing, there is yet to be a consensus on what NTS really means. The issues that fall under NTS are often contextually defined. What may be an NTS issue in one country—such as economic security, food security and energy security—could already be part of the traditional concept of security in another. For example, energy security, which is considered as one of the component of the NTS framework, has long been one of India's traditional security issues. With the increase in NTS threats, the impetus for effective regionalism has become more urgent and securitization of development on a regional platform is the need of these challenging times.¹²

Harmonious world

Peace and harmony for development among the nation states should be the core vision for regional integration in South Asia. In other words, the economic goals of regional integration need to be complemented by a broader vision that incorporates regional security goals. It should abide by the principle of a "harmonious region" derived from a "harmonious world" concept, which was formally introduced by the then Chinese president, Hu Jintao, on the occasion of the 60th anniversary of the United Nations (UN) in 2005. His proposal for a "harmonious world" included: (1) security cooperation for peace, (2) economic cooperation for prosperity, (3) inter-civilizational dialogue for mutual respect, and (4) reforms of the UN for strengthening its global governance role.¹³

This proposal is very relevant in the South Asian context, which is striving to be a "harmonious region" with the aim of: (1) regional security cooperation for peace and development, (2) regional economic cooper-

ation for prosperity, (3) inter-civilizational dialogue for mutual respect, and (4) strengthening of SAARC and institution building to achieve all the other goals to becoming a harmonious region. ■

Dr. Thapa is Head of Department and Resident Professor of International Peace Studies, United Nations mandated University for Peace (UPEACE), Costa Rica and Visiting Professor, Institute of International Relations, University of Warsaw, Poland.

Notes

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³ *ibid.*

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⁵ *ibid.*

⁶ For the history of SAARC and its documents see the association's website at URL <<http://www.saarc-sec.org>>. Accessed on January 9, 2017.

⁷ *ibid* Note 4.

⁸ Walsh, Eddie. 2011. "Non-Traditional security threats in Asia: Finding a regional way forward." East Asia Forum. April 6. <http://www.eastasiaforum.org/2011/06/04/non-traditional-security-threats-in-asia-finding-a-regional-way-forward/>. Accessed: 12-January-2017.

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South Asia's drivers of regional integration

The three interconnected drivers for a deeper regional integration are: economic drivers, political economic drivers and extra-regional drivers.

Selim Raihan

There are now convincing evidences that deeper regional integration is needed in South Asia to generate and sustain economic growth, alleviate poverty, ensure food security and a larger participation in the global value chain. Furthermore, peace dividends, through stable intra-country political relations, will be immensely high.

Drivers of deeper integration

From a political economic perspective, the three interconnected drivers for a deeper regional integration are: economic drivers, political economic drivers and extra-regional drivers.

The *economic drivers* are the four integration processes: market, investment, growth and policy integration. 'Market integration' emphasizes integration in trade in goods and services through the removal of tariff and non-tariff restrictions. 'Investment integration' calls for promotion of regional investment and trade nexuses. 'Growth integration' is the integration of economic growth processes whereby growth in one country benefits growth processes in other member countries. Finally, 'policy integration' is the harmonization of economic and trade policies of the countries.

The *political economic drivers* are of five types. The first are the 'primary institutions', the official regional institutions stationed in the respective countries to carry out the agenda of regional integration. The South Asian Association for Regional Cooperation (SAARC) Secretariat and relevant ministries in the member countries are those institutions. The second political economic driver is made of 'secondary institutions'—the private sector, private sector associations, civil society organizations and the media. The third is 'regional public good'—regional infrastructure and the state of regional trade facilitation. South Asian 'regional public good' is very weak.

'Structural factor', the fourth political economic driver, includes historical processes and geographic factors that shape political, economic and socio-cultural institutions. The landlockedness of Nepal, Bhutan and Afghanistan, political rivalry between India and Pakistan, and differences in size of the members, where India accounts for around 80 per cent of the regional GDP as well as population and trade among South Asian countries primarily through land borders, are all such structural factors.

The final and most critical political economic driver is the role of the 'political elite'. Strong and visionary leadership is needed to eliminate any 'trust deficit' in the region, which can emerge from a variety of 'structural factors' mentioned above. Such 'trust deficit' is often cited as a major barrier for regional integration in South Asia.

There are concerns from smaller countries in South Asia with regard to their growing bilateral trade deficits with India. These concerns have led especially Bangladesh and Nepal to maintain long sensitive lists of products exempted from free trade under South Asian Free Trade Area (SAFTA). They fear import surges from India could worsen their trade deficits. Also, there are apprehensions about the leadership, especially in India, that hesitates or is inconsistent in taking the regional integration agenda to a higher level.

Finally, extra-regional drivers include a wide range of global economic and political factors that can have influence over the region.

Though there is a strong demand for a deeper regional integration in South Asia, progress towards that has been rather slow. Not only the

intra-regional trade in goods have been low, intra-regional services trade and intra-regional investment are also insignificant.

Furthermore, actual implementation of agreements often does not match the declared ambitions. Lack of political will and leadership, institutional weaknesses and capacity and resource constraints have been argued to be the major impeding factors. The political rivalry between India and Pakistan has often constrained SAARC from becoming a functional regional forum. The recent cancellation of the SAARC summit casts a dark shadow over the progress towards a unified South Asia. There is also no positive indication that the situation will improve in the near future. All these suggest that the critical driver, i.e. the political economic driver, is very weak, making effective regional integration a formidable challenge.

Deeper integration among the South Asian countries has also been impeded by several non-tariff measures (NTMs) and associated procedural obstacles (POs), which are exacerbated by a lack of trade facilitation undertakings and cumbersome customs procedures at land border ports. As far as intra-BBIN (Bangladesh-Bhutan-India-Nepal) trade is concerned, there is substantial potential for boosting intra-regional trade. However, even with India already providing almost full duty-free-quota-free market access to exports from South Asian least-developed countries (LDCs)—Bangladesh, Nepal and Bhutan—are facing escalated challenges in securing and increasing their exports to the Indian market. These challenges are related to their limited export capacity, lack of diversification of their export baskets and various NTMs and POs both at home and in the Indian market.

Trade is the key driver

There are much larger welfare gains in South Asia from a reduction in transaction costs in bilateral trade than a mere tariff cut. There is no denying that NTMs and non-tariff

barriers (NTBs), POs and lack of trade facilitation are responsible for a high degree of transaction costs in bilateral trade in the region. Therefore, a reduction in such transaction costs by streamlining NTMs or elimination of NTBs would generate larger welfare gains for all the South Asian countries. Streamlining of NTMs and removal of associated POs are likely to intensify further market integration in South Asia as this would lead to the development of regional value chains. This will also encourage larger intra- and extra-regional investments, which can be instrumental for growth integration among these countries. To make these happen, there is a need for policy integration among the South Asian countries.

Despite the weak political economic driver coming in the way of a deeper integration, there are signs of heightened 'new' commitments among the political elites of some of the South Asian countries. The recent speedy resolution of Land Boundary Agreement between Bangladesh and India, the positive reception of the India-Bangladesh Maritime Arbitration Award announced in July 2014, establishment of border *haats* along the border between India and Bangladesh and the BBIN (Bangladesh, Bhutan, India, Nepal) Motor Vehicle Agreement are signs of such political commitments.

However, the BBIN Motor Vehicle Agreement is yet to be implemented properly and a large scale infrastructural development is needed for this to happen. Also, the aforementioned 'new' commitments have yet to be translated into resolving the related NTMs and POs.

It is important to emphasize that many NTMs are legitimate and thus cannot be negotiated away. For example, sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBTs) are there to protect consumers and the environment; pricing and licenses are there to regulate domestic markets; anti-dumping duties, subsidies, quotas are there to protect domestic firms; and rules of

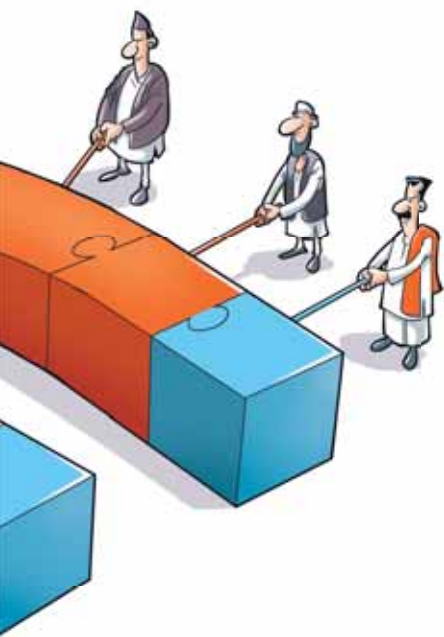


origin are there to avoid unintended trade deflections.

Meanwhile, due to various procedural obstacles, which are related to insufficient and poor infrastructure, complicated bureaucratic processes, delays, corruption, and frequent changes in the policies, many legitimate NTMs turn into NTBs. In South Asia, a significant part of the NTBs is related to procedural obstacles. Therefore, policy effort is critical to ensure that NTMs serve their intended legitimate purposes.

There is a need for cooperation among different primary institutions in South Asian countries to deal with NTMs and POs. There are already some initiatives for such cooperation. For example, Bangladesh Standards and Testing Institute (BSTI) and the Bureau of Indian Standards (BIS), the two organizations controlling the standards of products and services in their own countries, have signed an agreement to add an impetus to trade between the two neighbours.

However, cooperation is still needed in a number of areas: (i) harmonization of TBT and SPS measures; (ii) Mutual Recognition Agreements (MRAs) among respective organizations of South Asian countries; (iii) allocation of adequate human and



financial resources to standards organizations; (iv) setting up accreditation centres by the accreditation bodies or agencies of partner countries in collaboration with a designated national agencies to facilitate mutual cooperation; (v) expediting and prioritization of automation of customs clearance procedures; and (vi) strengthening the South Asian Regional Standards Organization (SARSO), a common certification panel for SAARC member countries, that have been developing harmonized standards for the region to facilitate inter-regional trade.

There is a need to pursue a policy advocacy strategy to deal with NTMs. It should be kept in mind that the policy makers need to hear very clear analysis, the necessary information and updated data on NTMs in their country and the region as a whole. These need to be relevant and they should be accompanied by concrete examples of effective measurable actions. Vague analysis or recommendations should be avoided as they might make the advocacy ineffective. Analysis should be discreet and specify how much of any NTM has to be solved by the partner country and how much of it is actually related to exporters' lack of capacity to meet the required standards.

Overcoming barriers

Poor trade infrastructure and lack of trade facilitation are also major challenges hindering cross-border trade among the South Asian countries.

Most of the trade happens through land ports in South Asia. The conditions of these ports are far from satisfactory. Inefficiency and excessive costs at ports are further exacerbated by poor customs services. Apart from the delay in obtaining customs clearance, payment of 'extra' money is required to complete the formalities and procedures. Also, inland transportation suffers from poor road networks. All these substantially increase the cost of production. Under these circumstances, many exporters find it extremely difficult to be competitive.

Recent initiatives to solve the trade infrastructural problems at the border include the setting up of Integrated Check Posts (ICPs) at major land entry points to Bangladesh by the Government of India. The move is expected to overcome the existing infrastructure problems and lack of support facilities on both sides of the border. It also caters to a growing demand of traders. Such ICPs need to be established at the borders between India and Nepal, between India and Bhutan and between India and Pakistan.

The largest export market in South Asia is the Indian market, the size of which was around US\$460 billion in 2014 as per India's total import figure. The other three major markets are Pakistan (US\$59 billion), Bangladesh (US\$46 billion) and Sri Lanka (US\$21 billion). Bhutan has, however, a very small market of US\$1 billion, whereas Nepal's is worth around US\$8.5 billion.

It should also be kept in mind that, though smaller countries in South Asia primarily aim to increase their exports to the Indian market, there is a sizeable scope for increasing bilateral trade even among these smaller countries. In this regard, exporters' domestic capacity in smaller countries of South Asia need to be improved to meet different international standards as well as the standards of the Indian

market. Until then, they will not be able to diversify their exports and become competitive in the regional and international markets.

A number of supply side factors at home can actually undermine the exporters' competitiveness and constrain economic and export diversification. These factors are directly associated with the domestic production and investment environment. Most prominent of these factors are limited access to finance, weak physical infrastructure, inefficient ports, high transport costs, shortage of skilled workers, technological bottlenecks, lack of entrepreneurship and management skills, lack of information and high costs of doing business.

There is a need to put more weight on the regional investment and trade nexus. Promotion of intra-regional investments and attracting extra-regional Foreign Direct Investments (FDIs) in goods and services sectors, in general, and energy and infrastructural sectors, in particular, will be a key driver for South Asia's regional integration success.

Sub-regional pressure

Finally, despite the growing frustration over the SAARC process, there are genuine reasons to keep it alive. There should be efforts to bring down the political rivalry in South Asia. The roles of civil society, the private sector and the media are very important in exerting pressure for the sake of regional stability and peace. Whatever achievements there are, we cannot afford losing them. An intermediate answer for the current deadlock can be sub-regional cooperation like the BBIN initiative, which is a sub-regional coordinative architecture of several South Asian countries. The effectiveness of such sub-regional systems can exert some positive pressure on the region as a whole towards avoiding conflicts and paving the way for deeper regional integration. ■

Dr. Raihan is Professor, Department of Economics, University of Dhaka and Executive Director, South Asian Network on Economic Modeling (SANEM), Dhaka.

SDGs can end poverty in South Asia permanently

South Asia has reduced extreme poverty by 54.7 per cent since 1990, passing the MDG target of 50 per cent.

Nagesh Kumar, Matthew Hammill, Selim Raihan and Swayamsiddha Panda

The 17 Sustainable Development Goals (SDGs) enshrined in the 2030 Agenda, adopted at the United Nations by its 193 Member States, represent a new global development compact.

SDGs from MDGs

The SDGs build upon and extend the United Nations' Millennium Development Goal (MDG) agenda that ended in 2015. South Asia has achieved a number of MDGs including the goal of halving extreme poverty, but it still represents the largest concentration of poverty and hunger in the world.

The global achievement in the MDGs was driven by China. But, South Asia will be the key region that will determine the global achievement of the SDGs.

To meet the SDGs, South Asia must tackle the following issues:

Extreme poverty and inequalities

South Asia has reduced extreme poverty by 54.7 per cent since 1990, passing the MDG target of 50 per cent with a comfortable margin. Poverty reduction occurred in accelerated bursts, immediately before the global

financial crisis and in recent years. At the same time, South Asia needs to improve its pro-poor focus of growth. GDP per capita in South Asia grew by nearly 1.5 times (141%). Poverty halved over the same period. Recent estimates show that the poverty elasticity of growth in South Asia for 1990-2005 was low for Bangladesh, India and Sri Lanka, at nearly zero, 0.35 and 0.67, respectively. Greater poverty reducing impacts for each percentage of growth were registered for Bhutan and Nepal, with poverty reductions of 0.91 per cent and 1.19 per cent for each percentage of growth in GDP per capita.¹

Hunger and food security

South Asia continues to be one of the largest hunger hotspots in the world, with one in five people undernourished. A sustainable solution of food security and the hunger challenge in South Asia requires a focus on enhancing agricultural productivity to enhance food availability as well as on poverty reduction and food distributional aspects. It also requires focusing on nutritional aspects to address the high levels of anemia and Vitamin

A deficiency that exist in the region. Agriculture supports nearly half of the population of South Asia and any improvement in agricultural productivity would reduce poverty. A new green revolution based on sustainable agriculture seeking to double agricultural productivity, an SDG target, would have wide-ranging effects for not only hunger but also poverty reduction, job creation and inequality reduction.

Access to education and health for all

South Asia achieved the MDG targets on universal primary enrolment and primary completion. However, there are no commensurate improvements in learning levels. Education quality, especially in rural areas, is poor. This is partly explained by low public expenditure on education as a percentage of GDP, ranging from two per cent in Bangladesh, 3.8 per cent in India, 2.5 per cent in Pakistan and 1.6 per cent in Sri Lanka, well below the recommended threshold of six per cent.²

Similarly, South Asia has made notable progress towards health-related MDGs. Maternal mortality rates declined by 67 per cent between 1990 and 2015 but still fell short of the

Development's wide spectrum

The 2030 Development Agenda for Sustainable Development adopted at the end of 2015 comprises 17 SDGs and 169 targets—encompassing three core dimensions of economic, social and environmental development. The SDGs cover four broad areas that carry forward the unfinished MDG agenda and factor in lessons learned from implementing the MDGs.



Goals carrying forward the unfinished agenda of the MDGs

Achieving the first seven SDGs requires completing the task of providing basic human development needs and services that began with the MDGs. The region today represents the largest concentration of poverty, hunger and other deprivations in the world. Unlike MDGs that targeted reduction in deprivations, SDGs seek to leave 'no one behind' and provide a life of dignity to all.



Goals enhancing aspects of environmental sustainability

Today there is greater recognition and better understanding of sustainability challenges compared to the turn of the century, when MDGs were defined. SDGs 11-15 focus on key environmental and resource dimensions for sustainable development. Policy design must pivot to promote sustainable growth paths and create an environment of markets, incentives and regulation that can foster cleaner, leaner innovations and more efficient and sustainable production, consumption and solutions.



Goals enhancing development drivers and cross-cutting issues

SDGs 8-10 incorporate the common drivers and cross-cutting issues that are essential to drive sustainable development across all of the dimensions. South Asia's investment in growth, infrastructure, inclusion and urbanization will act as the engine that drives sustainable development. The region faces significant gaps in these areas, but there is current enormous momentum and political will for strategies that can be leveraged to produce concrete actions.



Goals harnessing the global partnership for development

Promoting peaceful and inclusive societies

and providing adequate means of implementation for sustainable development in South Asia is critical for long-term sustainability and intergenerational equity (SDGs 16-17). Investing in solid policies, institutions, coordination and monitoring will lock in gains and increase resilience in the face of shocks and create a stimulating environment for cooperation and support in providing the means of implementation to achieve the SDGs and transform the region in a generation.

MDG target of a 75 per cent reduction. South Asia's under-five mortality rate stood at 53 deaths per 1,000 live births in 2015. Public health expenditure was just 1.4 per cent of GDP in 2014, compared with the world average of six per cent and about eight per cent in high-income Organisation for Economic Cooperation and Development (OECD) countries.

Gender equality

South Asia has made progress in specific gender-equality-related MDG targets including gender parity in primary education and large gains for girls' enrolment rates in secondary education. Still, it remains a gender inequality hotspot. Realizing gender equality gains of the fastest improving country could provide enormous economic gains alone, adding an additional annual GDP of US\$700 billion and US\$100 billion by 2025 (representing increases of 16 per cent and 11 per cent) in India and South Asia respectively. Achieving gender equality in the region's labour markets could add as much as US\$2.9 trillion in India and US\$400 billion in other countries in South Asia in their annual GDP by 2025.³

Essential infrastructure services for all South Asia lags behind not only in terms of transport infrastructure (SDG

9) but also in basic needs infrastructure, such as access to sanitation (SDG 6) and access to electricity (SDG 7).⁴ To close these gaps, they require large-scale resources, estimated at about US\$2.5 trillion, by 2020⁵ and US\$4 trillion to US\$5 trillion by 2030.⁶

Recent research suggests that Bangladesh could increase its GDP by eight per cent and household incomes by six to eight per cent by improving its utilities, transport and social services infrastructure through a 20 per cent boost in financing.⁷ In Pakistan, a four per cent boost in infrastructure investment could increase long-run GDP by 1.3 per cent and household income by 1.2 per cent, while also decreasing poverty by 0.4 per cent and reducing inequality.⁸

Sustainable growth and decent jobs

In contrast to South Asia's status as the fastest growing region in Asia and the Pacific, employment growth has been declining. Eighty per cent of its workers are working informally, with little or no protection or rights. Such work is low in adding value and fails to stimulate investments in human capital that create virtuous cycles of more efficient, inclusive and sustainable growth.

The creation of more productive jobs for the bulging youth population in the formal sector requires structural

transformation away from agriculture to manufacturing's formal and productive work. But, the transformation in South Asia has bypassed manufacturing and other industry to move on to services. As a result, its share in GDP has remained virtually at the same level since 1991, among the lowest in the Asia and Pacific. Fostering manufacturing can lead to faster poverty reduction through job creation and other externalities than through growth generated in other productive sectors.

This is where the SDG 8 target, of increasing the share of industry in GDP, and doubling it for least-developed countries (LDCs), comes. However, industrialization should be fostered in a more sustainable manner than in the past, through efficient use of energy and raw materials with emphasis on recycling.

Potential for renewable energy

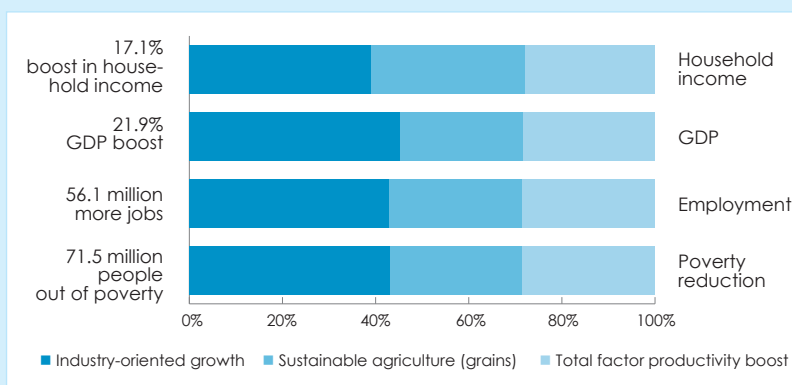
South Asian countries can address their energy scarcity by relying more on renewable energy. They would then benefit from spillovers into fiscal and foreign exchange savings spent on hydrocarbon imports. Nepal has had up to 14 hours of power cuts each day in the city of Kathmandu despite its endowment with some of the greatest hydroelectric potential in the world. In contrast, Bhutan is harnessing its hydropower potential to generate sustainable growth. South Asia can also tap its vast solar and wind energy potential, and switch towards cleaner fuels such as natural gas and clean coal technologies. The countries can benefit from developing a unified energy market, linked by energy grids and pipelines. Sharing good practices would increase energy conservation.

Gains to be made

Selected SDG-based policy strategies can have enormous impacts on sustainable development in the region. Recent estimates show 15-30 per cent increases in GDP across five countries in South Asia. The estimates were made taking three policies: industry-oriented structural transfor-

Figure 1

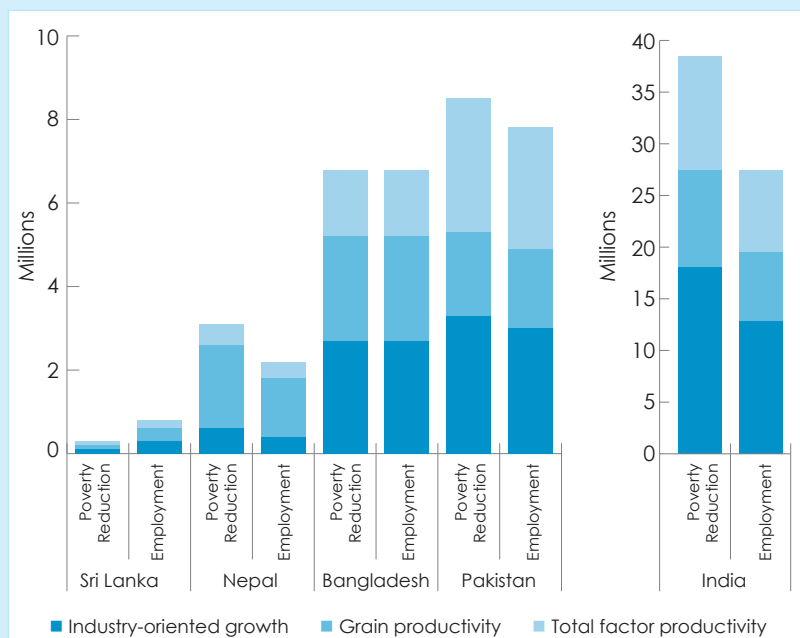
Impacts of an SDG-based industrial policy strategy in South Asia



Source: Based on the UNESCAP-SANEM South Asia Model

Figure 2

National impacts of policy strategy on poverty and employment



Source: Based on the UNESCAP-SANEM South Asia Model

mation (SDG target 8.2), sustainable agriculture productivity boosts (SDG target 2.3), and increased efficiency in the economy by removing supply bottlenecks and fostering innovation (SDG target 9.2). Combined with improvements in pro-poor and pro-employment growth, these policies could lift 71 million people out of extreme poverty and create an additional 56 million jobs by 2030 (Figure 1).⁹

National impacts of the policy strategy on poverty and employment are naturally greater in larger countries (Figure 2). In India alone, over 35 million people would be lifted out of poverty and more than 25 million jobs would be created. In Sri Lanka, with its much smaller population, over 370,000 people would be lifted out of poverty and nearly 740,000 jobs would be created.

For a region that is home to one-third of the world's poor, the 2030 Agenda presents a unique opportunity to South Asia to eradicate poverty and other deprivations. It can provide a life of dignity to all within a genera-

tion. SDG policy strategies that build upon the interrelationships between the Goals and Targets will help countries achieve the SDGs the fastest. The potential impacts are great. Implementing just three strategic policy priorities would increase GDP by 15-30 per cent across five countries of South Asia. Those priorities should be on sustained, broad-based and job-creating rapid economic growth pushed by industry-oriented structural transformation. At the same time, food security and hunger must be addressed with sustainable agricultural productivity improvements. This way they can lift an additional 71 million people out of extreme poverty and add 56 million jobs by 2030. Naturally, concerted action would maximize the spillovers between priorities with significant multiplier benefits for populations and countries of the region towards achieving the SDGs. ■

Dr. Kumar, Dr. Hammill, and Dr. Panda are staff members, South and South-West Asia Office of United Nations Economic and Social Commission for Asia and the Pacific

(UNESCAP-SSWA), New Delhi. Dr. Raihan is Professor of Economics at the Dhaka University and Executive Director of South Asian Network on Economic Modeling (SANEM). This article is based on recent analysis conducted by the authors and issued as part of the ESCAP Development Paper series.¹⁰ The views presented in this article are those of the authors and should not be attributed to the United Nations or its member states.

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BBIN

From transit to economic corridors

Prabir De

Geographically contiguous eastern South Asian countries have formed a sub-regional initiative to solve their economic and political challenges through better connectivity. Also known as the South Asia Growth Quadrangle (SAGQ), the unique ini-

tiative includes Bangladesh, Bhutan, India and Nepal (BBIN). It began with Bhutan, Bangladesh and India in the latter part of the last decade. The BBIN Motor Vehicle Agreement (MVA) triggered the BBIN initiative. It got further impetus when Nepal joined.

Connectivity as trade facilitator

An improved connectivity is essential to provide cheaper access to goods and services, create more jobs along trading corridors and, ultimately, help reduce poverty at a faster pace.¹ South Asian Association for Regional

Cooperation (SAARC) member countries have realized that narrowing the connectivity gaps among themselves is a must for facilitating regional trade. The sub-regional BBIN initiative is the result of the limited progress SAARC was making on the ground.

The shared BBIN vision is to increase trade and cooperation within eastern South Asia, create linkages within and beyond, ensure faster movement of goods and people and bring about sustainable development through water resource management and protection of climate, etc. The grouping is mainly driven by governmental activities with regular meetings of the Joint Working Groups (JWGs).² So far, BBIN has dealt with water resources management, electricity exchange and connectivity. Three JWG meetings have been held so far and the outcomes have been very positive.

The JWG on Water Resources Management and Power/Hydropower is tasked with bringing about cooperation in power trade and inter-grid connectivity in future power projects and water resources management among the four countries. The JWG on Connectivity and Transit looks after the BBIN MVA. The Third JWG meeting, held in Dhaka on 19 and 20 January 2016, agreed to commence

BBIN MVA is primarily designed to facilitate sub-regional trade, movement of people and integration.

discussion on the possibility of having a BBIN Rail Agreement that draws on the draft SAARC Regional Rail Agreement template. It was also agreed that land ports/land customs stations, crucial for sub-regional trade and transit, would be given priority attention by all four countries.³

BBIN enjoys the advantage of hindsight—that by starting late, it has learned from the mistakes of other regional integration initiatives. Table 1 illustrates that BBIN's focus is not on the trade and investment agreement, but on non-trade issues such as connectivity and energy.

BBIN countries are relatively open economies, where, with the exception of Nepal, trade openness has increased between 1991 and 2015. India's share in sub-regional trade is over 90 per cent. In 2015, India's volume of total trade with BBIN countries was about US\$10.82 billion, of which exports accounted for US\$9.35 billion and the remaining was India's import from

BBIN.⁴ The trend in intra-BBIN trade has been influenced by the recent growth of the Indian economy and India's unilateral removal of tariff and sensitive list items in terms of its imports from the least-developed countries (LDCs) in recent years.

Since a large part of BBIN's trade is India-centric, any improvement in connectivity and trade facilitation in the sub-region would, therefore, lead to improvement of competitiveness of BBIN exports. This means a greater market access in India for exports of Bangladesh, Bhutan, and Nepal. The BBIN MVA is primarily designed to serve this purpose—facilitate sub-regional trade, movement of people and integration. However, the reality is that the BBIN countries are yet to connect with each other through any comprehensive trade facilitation and connectivity measure.

BBIN has a number of logistics handicaps. Except trade between India and Nepal and India and Bhutan, India's trade with Bangladesh or Bangladesh's trade with Bhutan and Nepal is not seamless. Goods are loaded or unloaded every time at the land border. Transit of goods takes place, but only partially.⁵ Railways and inland waterways have been used marginally for regional trade. Roads are narrow with missing last-mile connectivity.

Table 1
BBIN features

Particulars	BBIN	BCIM	BIMSTEC	SAARC	ASEAN
Location	South Asia	South & South-east Asia	South & South-east Asia	South Asia	South-east Asia
Members	4	4	7	8	10
Year established	2013	1997	1997	1985	1967
FTA signed	No	No	Yes*	Yes	Yes
Investment agreement	No	No	No	No	Yes
Services trade agreement	No	No	Yes*	Yes**	Yes
Connectivity projects	Yes	Yes*	Yes*	Yes	Yes
Energy exchange	Yes	No	Yes*	Yes*	Yes*
Financial integration	No	No	No	Yes*	Yes
Trade facilitation	Yes	No	Yes	Yes	Yes
Initiative type	Track 1	Track 1.5	Track 1	Track 1	Track 1
Secretariat	No	No	Yes	Yes	Yes

* Proposed; ** Market access negotiations ongoing

* Bangladesh–China–India–Myanmar Forum for Regional Cooperation (BCIM); Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC); Association of South East Asian Nations (ASEAN)

Source: Author's compilation

Banking and financial instruments are weak making pre- and post-shipment payment lengthy. Also, infrastructure is inadequate. For example, electricity is available at the border, but the quality of electricity varies. Trade in BBIN, therefore, continues to face higher costs and time.

Table 2 presents business procedures, time and costs in export and import and documents needed while trading along select BBIN corridors. Trade involves a relatively higher number of procedures and documents in all the three BBIN corridors. Specifically, orange exports from Bhutan to Bangladesh face the highest number of procedures and the second highest number of parties in Corridor 2. In Corridor 1, export of lentils from Nepal to Bangladesh entails the second highest number of procedures and highest number of parties. Corridor 3 is the most expensive corridor, both in terms of cost and time. A container-load of carpets exported from Kathmandu to a third country costs around US\$2,260.60 per Twenty Foot Equivalent Unit (TEU)⁶ and takes about 24 days to cover a distance of 1,287 km to reach the port of Kolkata. The more time-consuming the export or import

process, the less likely it is that a BBIN trader will be able to compete in the regional and international markets.

Application of modern information and communication technology (ICT) to trade processes has been recognized as an important component of national and regional trade facilitation strategies. Many of the export and import documents along BBIN corridors are still not being submitted or processed electronically. Submission of documents is largely handled manually (over 80 per cent on an average).⁷ Exporters and importers, or their Customs House Agents (CHAs), can submit customs declaration online, although a hard copy often needs to be submitted as well at some point during the process.

Automation of trade documentation is relatively a new process for BBIN countries, except India. India has been successful in introducing an Electronic Data Interchange (EDI) system, called Indian Customs Electronic Commerce/Electronic Data interchange (EC/EDI) Gateway (ICEGATE), which has facilitated the submission of trade documents electronically to a great extent.⁸ ICEGATE has now been transformed into a

Single Window customs called SWIFT (Single Window Interface for Facilitating Trade). The scope for application of information and communications technology (ICT) in trade process management in BBIN countries, particularly in Bhutan, Bangladesh and Nepal, is very large. This aspect of trade process management has gained immense popularity in India since the exporters and importers have found it increasingly beneficial. The documents required for export and import were handled manually until a few years back. Today, most of the export processes are dealt with electronically. Similar trends have been noticed in some South Asian countries like the Maldives and Sri Lanka.

Cargo insurance and payment are managed electronically in many of the BBIN countries, including India. The number of documents does not matter here, rather it is their nature (electronic vs. paper) and the procedures involved in their preparation and submission that make a difference. By making e-filing of documents mandatory, the documentary burden on the trade of goods along the BBIN corridors will undoubtedly be reduced. India's EDI system is a case in point,

Table 2

Business processes, time and costs in BBIN

Corridor	Exporter	Importer	Products	Procedures (No.)			Time (Days)	Cost (US\$/TEU)	Documents & copies (No.)		
				Exporter	Importer	Total			Exporter	Importer	Total
Corridor 1: Kakarvitta-Panitanki-Phulbari-Banglabandha	Nepal	Bangladesh	Lentils	18	13	31	23.40	791.80	18 (44)	18 (71)	36 (115)
	Bangladesh	Nepal	LAA	12	16	28	29.26	1402.05	15 (50)	15 (33)	30 (83)
Corridor 2: Phuentsholing-Jaigaon-Hasimara-Changrabandha-Burimari	Bhutan	Bangladesh	Oranges	18	14	32	18.60	569.84	14 (26)	18 (69)	32 (95)
	Bangladesh	Bhutan	Fruit Juice	9	16	25	20.13	527.61	9 (30)	16 (44)	25 (74)
Corridor 3: Kathmandu-Birgunj-Raxaul-Kolkata	Nepal	Third country*	Carpets	23		23	26.00	2260.60	19 (44)		19 (44)
	Third country**	Nepal	CSO		21	21	18.00	689.74		22 (49)	22 (49)

Notes: *Excluding export processes; **Excluding import processes; Numbers in parentheses are copies needed for export and import; LAA – Lead Acid Accumulator; CSO – Crude Soybean Oil

Source: Author's compilation based on ADB-ESCAP (2014)⁹

which offers important lessons for other BBIN countries to improve their electronic customs system.

Scopes abound

Excessive documentation means that there is scope for simplification of trade processes. Between export and import, the process for the latter is highly dispersed, thereby indicating the need for simplification of documentary requirements. There is enough scope for simplification of documentary requirements to meet international standards. Besides, building highways, improving border infrastructure facilities, strengthening banking and financial infrastructure and establishing governance transparency, along with trade facilitation measures, would improve the competitiveness of BBIN countries globally. At the same time, the implementation of MVA would depend on the financial and technical capacity of the BBIN countries.

To meet the global and regional/sub-regional obligations, BBIN countries have to improve their trade performance through enhanced trade facilitation measures—through improved soft and hard infrastructure. The countries need to regulate the trucks moving along BBIN corridors; encourage competition among service providers such as transporters, banks and insurance providers; build trade infrastructure such as testing laboratories; and improve the highway conditions and infrastructures at border-crossings.

In Bhutan and Nepal, the costs associated with completing documentary and other import and export procedures for international trade can account for a substantial part of the cost of traded goods.¹⁰ Costs of trade go up due to a lack of regional or sub-regional insurance systems for transit cargo. Therefore, raising the competition among logistics service providers would not only lead to a fall in transaction costs, but also improve the efficiency of service providers. Existing labour-intensive transport services will see the application of effi-

Existing labour-intensive transport services will see incremental application of efficient technology.

cient technology incrementally along the transit corridors. Besides, higher efficiency of ports of Kolkata, Haldia, Chittagong, etc., improvement of border infrastructure and corridors and well-developed transit arrangements can transform transit corridors into economic corridors.

From sub-region to region

The signing of BBIN MVA was an historic event. However, to maximize the regional welfare, a region-wide MVA is necessary. The BBIN MVA does not explicitly talk about transit for third country trade, particularly between India's north-east and the rest of India through Bangladesh. It did not propose any plan of transport structure convergence and remedies such as axle load and tonnage. Neither, does it talk about special and differential treatment (S&DT) for countries or areas within countries for revenue loss or environmental damage. Costs of non-cooperation may damage the whole effort. Therefore, a greater involvement of states or sub-national entities would make it an inclusive trade-transport arrangement, perhaps, the best and unique in the world.

Finally, improvement of infrastructure is not a sufficient condition for regional development. Improvement of infrastructure gives rise to both distributive and generative effects. Generative effects would tend to be higher than the distributive effect in our particular case. BBIN MVA's success would depend on how quickly the countries build the physical connectivity in their sub-region. The beginning is good, but challenges are aplenty. Measures to reduce transit costs and time are im-

mensely important to strengthen the regional integration process. The BBIN MVA will entail further preparation for the implementation of the trade facilitation priorities and strategies of the World Trade Organization (WTO) Trade Facilitation Agreement (TFA). And, all the four BBIN countries are members of this Agreement. ■

Dr. De is Professor, Research and Information System for Developing Countries (RIS), New Delhi, and Coordinator, ASEAN-India Centre (AIC), New Delhi.

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- ² BBIN has two JWG: Water Resources Management and Power/Hydropower; and Connectivity and Transit.
- ³ Ministry of External Affairs-Government of India. 2016. *Third Joint Working Group (JWG) Meetings on Sub-Regional Cooperation between Bangladesh, Bhutan, India and Nepal (BBIN) (January 19-20, 2016)*, media release. 22-January- 2016. <https://www.mofa.gov.np/joint-press-release-on-third-jwg-meetings-at-dhaka-issued-by-embassy-of-nepal-dhaka/>
- ⁴ Direction of Trade Statistics (DOTS), International Monetary Fund (IMF).
- ⁵ De, P., and A. Kumar. 2014. *Regional Transit Agreement in South Asia: An Empirical Investigation, Discussion Paper*. Kathmandu: South Asia Watch on Trade Economics and Environment (SAWTEE).
- ⁶ A unit of measurement equal to the space occupied by a standard twenty foot container. Used in stating the capacity of container vessel or storage area.
- ⁷ ADB-UNESCAP. 2014. *Trade Process Analysis Report for Subregional Cooperation in South Asia*. Manila and Bangkok: ADB – UNESCAP.
- ⁸ ICEGATE handles all e-filing, e-payments, drawback disbursement and message exchange with stakeholders—almost 98percent India's international trade. ICEGATE web portal provides comprehensive real time tracking and information services, and all services are provided free of cost.
- ⁹ *ibid* Note 7.
- ¹⁰ *ibid* Note 7.

For seven years, Norway has been in the process of developing access and benefit sharing (ABS) legislation aimed at external bioprospectors.¹ The Norwegian Nature Diversity Act (2009) and Marine Resources Act (2008) establish genetic resources as common resources, but prescribe the enactment of such ABS rules through an administrative order. Regulating ABS also follows from Norway's obligations under the Convention on Biological Diversity (CBD).

Legality of access

The Norwegian Nature Diversity Act makes it illegal to import foreign genetic resources if ABS regulations were not followed while accessing them in the provider country. Moreover, the Norwegian Patent Act obliges

Norwegian users of foreign genetic material to disclose information about the origin and legality of access in patent applications. These obligations on Norwegian users of foreign genetic material go further than those of most other user countries. But Norway, as a provider of genetic resources, still lacks legislation to control bioprospecting from marine material collected at home.

In Australia the situation is the complete reverse: Australia has enacted advanced ABS legislation in line with the CBD to control access to their own genetic resources, but they lack ABS user measures for Australian bioprospecting abroad.²

In Norway, the Marbank collection and the Arctic Biodiscovery Centre in Tromsø are key actors. In Austral-

ia, the Eskitis Institute at Griffiths University is an interesting parallel institution. Here, we will describe how the delayed administrative order in Norway affects marine bioprospecting and the work of Marbank. We also compare the role and challenges facing Marbank with those affecting Eskitis in Australia, where domestic ABS legislation is much further developed. Finally, we discuss two remaining barriers to ABS in general.

Norway and Australia, as developed countries, are both typical users of genetic resources, but they also share the characteristic of being important providers of genetic resources. The research work reported in a recently published article³ suggests that Norway and Australia that are developing to be provider countries,

ABS legislation for Marine bioprospecting

Lessons from Australia and Norway

G. Kristin Rosendal, Anne Ingeborg Myhr and Morten Walløe Tvedt



may have similar reasons, to enact Access and Benefit Sharing (ABS) legislation at home. Their experiences could thus be of interest to a broader set of countries.

The first rationale for ABS in Norway and Australia is the growing domestic economic interest, public funding and investments in marine bioprospecting as well as increasing economic interest from external pharmaceutical commercial companies. Public investments catering to marine bioprospecting are seen as a source of new and sustainable value creation for society as a whole.

Marine research and bioprospecting have been given high priority within the Norwegian Research Council since 2001, spurring widespread calls for a repository bank for marine organisms and their.⁴ Recently, the economic value of Norway's marine biological material has received increased attention as the oil age seems to be coming to an end. Securing public revenue from private companies' oil and gas revenues has been important and was based on forward-looking legal systems: the regulation of rights to and benefits from Norwegian genetic material can have similar future importance. This is especially so since foreign companies would not be covered by the Norwegian taxation system for their activities abroad even when Norwegian genetic resources have created their revenues. The Great Barrier Reef of Australia hardly seems to be less promising.

The second rationale for ABS legislation in Norway and Australia links up to principles of conservation and sustainable use set out in the CBD. Norway manages some of the most productive marine areas in the northern hemisphere. The ABS policy will affect how Norway shoulders its share of the global burdens for conservation and sustainable use of biological diversity set out in the CBD. Norway's highly visible international profile in advocating the CBD principles is another strong motive for Norway to honour its obligations following from the CBD and its ABS regime.

Public investments catering to marine bioprospecting are seen as a source of new and sustainable value creation for society.

The third rationale for clarifying the ABS regulation is to establish a predictable legal framework for companies aiming to create value from marine genetic resources in Norway.

Norway's domestic ABS legislation is, however, still pending, requiring no prior informed consent or permits and contracts stipulating any mutually agreed terms of bioprospecting.

According to Australian federal ABS legislation, access to biological resources requires a permit as a form of prior informed consent. Permit applications must demonstrate that access to the biological resource will be ecologically sustainable and consistent with the conservation of Australia's biodiversity. Access for a commercial purpose costs 50 Australian dollars, while for non-commercial purposes it is free.

Applicants must provide a statutory declaration stating that the applicant will not conduct, or allow others to conduct, commercial research on the biological resource without agreeing to appropriate benefit sharing arrangements. This statutory declaration constitutes parts of established legal institutional structures, which is likely to make ABS functional.⁵ At the state level, the Queensland Biodiscovery Act differs from the Commonwealth ABS regulations by not having two types of permits for, respectively, non-commercial and commercial biodiscovery. This legislation was advocated by industry, emphasizing the need for a level playing field and legal certainty.⁶

Marbank and Eskitis

In 2003, the national marine biobank, Marbank, was established in close

cooperation with the Norwegian Ministry of Fisheries and UiT – the Arctic University of Norway (formerly University of Tromsø), the Norwegian Polar Institute and the Institute of Marine Research. The purpose of Marbank is to collect, catalogue, prepare and coordinate marine samples from 1,100 locations along the Norwegian coast and Spitsbergen islands for scientific research and commercial opportunities. Some 14,000 kg of organisms have been collected. This covers 1,200 species of marine invertebrates, 110 species of microalgae and 3,000 16S rDNA characterized bacteria strains.

Marbio is the analytical platform for screening and identification at the Arctic University of Norway and has characterised about 150 bioactive compounds and produced 50 potential lead candidates. Marbio has prepared a library of more than 3,000 fractions and has performed 316,000 screening events based on the Marbank material. So far, 20 assays or test methods for screening, and more than 300,000 screening events for bioactive compounds like pharmaceuticals and three patent applications have resulted from this research.⁷

The Eskitis Institute for Cell and Molecular Therapies, meanwhile, is part of the Griffith University in Brisbane. Eskitis research is supported by the Nature Bank, which has a library of over 200,000 optimized natural product fractions derived from a diverse collection of over 45,000 samples of plants and marine invertebrates. Nature Bank fractions can be accessed for screening on assay systems, with follow-up isolation chemistry at Eskitis. The Nature Bank provides the service of processing natural products of biota or crude extracts into fractions to create assay-ready screening sets. Samples are thus ready for analysis of whether novel bioactive compounds could hit a particular target or bind to a specific protein. Moreover, Eskitis houses the Queensland Compound Library (QCL), a library of nearly 400,000 pure compounds from samples. QCL provides automated retrieval of the requested samples

and supervises the formatting into the preferred micro plate format.⁸

The parallel between Marbank and Eskitis is clear, although Eskitis and its supporting institutions provide a quantitatively larger bulk of materials. However, the legal framework for the related activities is very different.

Another less visible parallel between Eskitis and the Marbank-related institutions is that they cater a number of PhDs, postdocs and scientific research. Both face a similar challenge with regard to academic results: the need of scientists to get published to advance their academic prospects is reportedly difficult to do in combination with the need for patenting of their commercial partners. This is because patenting usually implies long phases of secrecy prior to the patent application.⁹

This also points to a core practical challenge of ABS. If a particular genetic resource leads to the discovery or invention of an interesting product, what is the relevant correlation between the genetic resource and the particular commercially viable product? Often, in bioprospecting, there is no one-to-one correlation between a genetic resource and a product.¹⁰ This means that a specific sample does not necessarily lead to a specific product. The distance between the biological sample and product creates problems for establishing a benefit link from the sample to the product in the market. Similar challenges face Marbank and Eskitis in their interactions with external (foreign) users of marine material.

There are different approaches to respond to this challenge in Norway and Australia: Due to the lack of an ABS regime for Norwegian marine samples, it has been an explicit Marbank objective to ensure that Norwegian researchers are involved. This is expected to secure the value of the collection for Norwegian society. Material from Marbank is ready for commercial utilisation and Marbank would like to see the legal issues regarding access described accordingly.

When developing a functional contract for the use of Marbank, that

contract would have had more support if the administrative regulation was already in place.¹¹ Against this background, a possible model is a system in which ABS is not only tied to benefit sharing linked to the end product, but also involves sale/payment of valuable 'leads', or the ready assays.

Including cost sharing in the system would raise the visibility of the high levels of public funding that go into infrastructure, collection and delivery of ready bioactive compounds to users, all of which are necessary for users to develop commercial products. A drawback of such a system might be high costs on the developer early on in the research and development process. The income will flow only later in the process.

Meanwhile, Australia still faces problems in spite of its ABS legislation. Despite the strong legal means of the statutory declaration, until now there has only been one case of commercial bioprospecting in Australia involving benefit sharing.¹² The case involves a large study of sponges with anti-cancer compounds. The use of the statutory declaration in Australian Commonwealth legislation nevertheless shows how they use and apply already existing legal tools in their enforcement of ABS. This might, in the long run, increase the efficiency of the legislation.

One possible explanation for the lack of ABS may be the difficulty in distinguishing between bioprospecting for scientific and commercial use and, thereby, determining when benefit sharing should be triggered. Here, companies tend to argue that commercial results from biodiscovery are still so far away that there

are simply no grounds for expecting benefit sharing anytime soon.¹³ The difficulties involved in monitoring the genetic material, from access to actual commercial product, add to this problem.

Here, a paradox becomes apparent. Australian scientists usually wait for patents to be granted before they consider publishing results from the widespread university/industry collaboration.¹⁴ This is necessary because publishing must be postponed in order not to block the patent criterion of novelty (the search for prior art). Patenting is, however, a strong indication of commercial interest. As both the commercialization and the patent process are claimed to be very long and costly, this implies that there is often a delay in the sharing of scientific results through publishing. That would be a drawback for innovation.

An alternative interpretation is that there are a lot more commercial activities and results with a potential for benefit sharing taking place at a quicker pace than the meagre ABS results would indicate. The strong link between commercial interest and patenting has given rise to a widespread view in Australia that linking ABS and intellectual property rights (IPR) legislation through disclosure of the source of biological resources in patent applications could be an appropriate legal measure to track ABS compliance.¹⁵

Monitoring is a crucial issue identified by Eskitis relating to the Norwegian draft administrative order for ABS. In Norway, the difficulties related to how to correlate a particular genetic resource to the discovery or invention of an interesting product now seem to be delaying the administrative order on an ABS system. ABS legislation may need to be followed by monitoring provisions that cover the entire bioprospecting chain.¹⁶ On the other hand, it is widely acknowledged among scientists and industry players alike, both in Australia and in Norway, that bioprospecting is usually of a commercial nature.¹⁷

While Norway lags behind Australia with a view to ABS legislation

Often, in bioprospecting, there is no one-to-one correlation between a genetic resource and a product.

at home, the interesting thing is that Norway has a much stronger monitoring instrument available through its revised Patent Act as patent applications are submitted at home. Norway is one of few developed user countries to have amended patent legislation in line with disclosure of origin of genetic material.

The case of Marbank is similar to the Australian case also in that, within Marbank, there is a broad recognition that samples accessed from their collection will usually be of commercial value. Hence, in the Norwegian case one would avoid uncertainties regarding the type of permit (commercial/non-commercial) on which to base eventual contracts.

The Norwegian government remains hesitant with regard to future design of ABS to regulate bioprospecting at home. For Marbank, in performing its tasks, this legal vacuum represents a prominent challenge and exposes it to an insecure funding situation in the future. Since collections like Marbank's are an expensive venture, long-term funding is a core need, lack of which could hamper sustainable innovation and long-term security for researchers and innovators.

Cost-sharing

The idea of benefit sharing could be supported by, and expanded with, the principle of cost sharing. Cost sharing would entail the user of the assay paying for the costs of collection and preparation at the point of access. This could involve selling ready assays or leads to industrial partners.

Industry is not foreign to the idea of ABS legislation that secures a level playing field and legal certainty. Legal certainty would also support the political aim of creating incentives for further innovation, and research and development, based on marine bioprospecting in Norway, as in Australia. The alternative is large multinational players as free riders in a system that provides ready assays for biotechnological development and where genetic material can be sent out of the country free of charge.



Although some benefit sharing is currently taking place, such as research collaborations, the cost of the infrastructure remains a public responsibility. The result is that public funding is required through all the phases of the value creation chain of, for instance, medicinal products—from education, collection and infrastructure to providing ready assays. In addition the government will end up paying monopoly prices for patented products to the large pharmaceutical corporations for acquiring vaccines and medicines. This remains a strong argument in favour of cost sharing even if benefit sharing is still a tough political issue to tackle.

Interestingly, Norway and Australia seem to have one piece each of a system that in combination might bring about a functioning ABS system: Norway has the monitoring instrument through disclosure in its revised Patent Act and Australia has the statutory declaration in its ABS legislation. ■

Dr. Rosendal and Dr. Tvedt are Senior Researcher, Fridtjof Nansen Institute, Lysaker, Norway. Dr. Myhr is Senior Researcher, GenØk, Tromsø, Norway. This piece is based on their recent paper published in 2016.¹⁸

Notes

- ¹ Bioprospecting denotes the search for products, derived from biological diversity, of potential value to, for instance, the pharmaceutical and agribusiness industries.
- ² Prip, C., G. Kristin Rosendal, Steinar Andresen, and Morten Walløe Tvedt. 2014. *The Australian ABS Framework: A Model Case for Bioprospecting?* FNI

Report 1/2014. Lysaker: FNI.

- ³ Rosendal, G. Kristin, Anne Ingeborg Myhr, and Morten Walløe Tvedt. 2016. 'Access and Benefit Sharing legislation for marine bioprospecting: Lessons from Australia for the role of Marbank in Norway'. *Journal of World Intellectual Property Rights*, Online 06.06.2016, 13 p. DOI: 10.1111/jwip.12058.
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- ⁵ *ibid* Note 2.
- ⁶ *ibid* Note 2.
- ⁷ *ibid* Note 3.
- ⁸ *ibid* Note 2.
- ⁹ MabCent-SFI. 2015. *Summary Report 2007-2015*. Tromsø: UiT – The Arctic University of Norway; and *ibid* Note 2.
- ¹⁰ *ibid* Note 3.
- ¹¹ *ibid* Note 3.
- ¹² Laird, S., Catherine Monagle, Sam Johnston, and Queensland Biodiscovery Collaboration. 2008. 'The Griffith University AstraZeneca Partnership for Natural Product Discovery. An Access and benefit Sharing Case Study'. *Report by the United Nations University – Institute of Advanced Studies, UNU-IAS*.
- ¹³ Morgera, Elisa, Matthias Buck, and Elsa Tsoumani, eds. 2012. *The 2010 Nagoya Protocol on Access and Benefit Sharing in Perspective. Implications for international law and implementation challenges*. Leiden: Martinus Nijhoff Publishers.
- ¹⁴ *ibid* Note 2.
- ¹⁵ *ibid* Note 2.
- ¹⁶ Bhatia, P., and Archana Chugh. 2015. 'Role of marine bioprospecting contracts in developing access and benefit sharing mechanisms for marine traditional knowledge holders in the pharmaceutical industry'. *Global Ecology and Conservation*, 3, 176-187.
- ¹² *ibid* Note 2 and Note 3.
- ¹⁸ *ibid* Note 3.

South Asia needs cooperation for climate adaptation

"The region stands to benefit from integrated climate adaptation, mitigation and development approaches."

Vositha Wijenayake

Climate change impacts are already being felt in South Asia, according to the Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC). The report covers regional impacts of climate change and says that such impacts will pose challenges to growth and development of the region. It points to the need for international cooperation to address the problem, saying "International cooperation is vital to avert dangerous climate change impacts and South Asian governments can promote ambitious global action[s]".¹

According to the report, "South Asia stands to benefit from integrated climate adaptation, mitigation and development approaches". Among the key responses that the report suggests for South Asia are adaptation and low carbon development. "Adaptation will bring immediate benefits and reduce the impacts of climate change in South Asia,"² it says, emphasizing the role of adaptation as fundamental to risk management. The report also says that a mitigation strategy for low carbon development will benefit the region. It talks about merging of adaptation and mitigation actions that address climate change and its impacts.

Extreme weather

Sea levels have risen faster than at any time during the previous two millennia—and the effects are more profound in South Asia.³ The changing rainfall patterns and melting snow and ice are altering freshwater systems. This affects the quantity and quality of water available in many regions, not just in South Asia.⁴ Also, "The impacts of climate change will influence flooding of settlements and infrastructure, heat-related deaths and food and water shortages in South Asia."⁵ Temperature extremes,⁶ reflected through the numbers of cold days and nights, have decreased and the numbers of warm days and nights have increased across most of Asia since about 1950, says the report.

South Asia is victim to changes in rainfall trends. These trends, including extremes, are characterized by strong variability in different parts of Asia. Observations also show that there have been more events of extreme rainfall and fewer ones of weak rainfall.⁷ These will have widespread impacts on South Asian society and its interaction with the natural environment.⁸ Clearly, the impacts of climate change are already being felt⁹ threat-

ening lives, food security, health and wellbeing across many parts of the region.

Given the interdependence among countries in today's world, the impacts of climate change on resources or commodities in one place will have far-reaching effects on prices, supply chains, trade, investment and political relations in others. Climate change in one country will progressively threaten economic growth¹⁰ and human security in complex ways in the region and across the world.¹¹ Such trans-boundary impacts of climate change call for joint action to fight them.

The need for climate cooperation is also underlined by the economic and technical capacities of the countries to deal with cross-cutting issues such as climate change. Capabilities and vulnerabilities are diverse in South Asia. Countries with higher capacity are better positioned to support the weaker ones. The region should make adequate use of regional and international processes to reflect on their needs and to devise ways for implementing concrete and effective actions.

The AR5 says, "South Asian leaders have an important part to play—

with all other international leaders—in forging this solution. Cooperating, recognizing that everyone must share the effort and making financial resources available for investment in adaptation programmes and low-emissions infrastructure are important in reaching [a] global agreement.”

The Paris Agreement is helpful in this regard. The agreement was signed by Parties to the United Nations Framework Convention on Climate Change (UNFCCC) at the 21st Conference of the Parties (COP21) held in Paris in December 2015. It came into force on 4th November 2016. As an unprecedented outcome, the Agreement brings together all countries for a common cause—addressing impacts of climate change—for the first time. All parties have committed themselves to make their contribution. The objective is to strengthen the global response to climate change impacts. The target is to limit the global temperature rise in this century to well below 2°C above pre-industrial levels, to 1.5°C.

Regarding regional cooperation, Decision 1/CP.1 of the Paris Agreement recognizes that climate change represents an urgent and potentially irreversible threat requiring the widest possible cooperation and participation by all countries to reduce global greenhouse gas emissions. The signatories of the agreement have also agreed to promote regional and international cooperation in order to mobilise stronger and more ambitious climate action by civil society, the private sector, financial institutions, cities and other sub-national authorities, local communities and indigenous peoples. Here, cooperation for effective climate actions is sought among not just state actors but multiple-stakeholders. The Agreement highlights several areas where regional cooperation is key. Just like the AR5, the Paris Agreement has dedicated a key section to address adaptation. Its understanding is that adaptation actions need to have a regional dimension. It stresses the need for a long-term global response that takes into account the urgent and

Cooperation for effective climate actions is sought among not just state actors but multiple-stakeholders.

immediate needs of those developing country Parties that are particularly vulnerable to the adverse effects of climate change.

Cooperation and decision making at the regional and international levels, at times, conflict with the sovereignty and decision-making power of countries. In order to address this potential challenge, whereby resistance to adaptation actions could develop, the Agreement further provides that it will not be impacting the country’s decision making processes.

According to Article 7 (5), the Parties “acknowledge that adaptation action should follow a country-driven, gender-responsive, participatory and fully transparent approach, taking into consideration vulnerable groups, communities and ecosystems”. Such approach should be based on and guided by the best available science and, as appropriate, traditional knowledge—knowledge of indigenous peoples and local knowledge systems—with a view to integrating adaptation into relevant

socioeconomic and environmental policies and actions. This highlights the point that the countries will be making the decisions on adaptation processes in their own ways that are suitable to their local contexts.

Another mention of cooperation on adaptation is the reference to the Cancun Adaptation Framework, where it states, “Parties should strengthen their cooperation on enhancing action on adaptation, taking into account the Cancun Adaptation Framework, including with regard to:

- a) Sharing information, good practices, experiences and lessons learned, including, as appropriate, as these relate to science, planning, policies and implementation in relation to adaptation actions;
- b) Strengthening institutional arrangements, including those under the Convention that serve this Agreement, to support the synthesis of relevant information and knowledge, and the provision of technical support and guidance to Parties;
- c) Strengthening scientific knowledge on climate, including research, systematic observation of the climate system and early warning systems, in a manner that informs climate services and supports decision-making;
- d) Assisting developing country Parties in identifying effective

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adaptation practices, adaptation needs, priorities, support provided and received for adaptation actions and efforts, and challenges and gaps, in a manner consistent with encouraging good practices; and
e) Improving the effectiveness and durability of adaptation actions.”

Cooperation on knowledge sharing and providing technical support is vital in understanding the best ways for adaptation. Despite the diversity, South Asia faces common needs and vulnerabilities. The countries are equally vulnerable and face similar impacts, and all need to strengthen their capacities. These similarities call for collaboration within South Asian Association for Regional Cooperation (SAARC) on adaptation actions to address climate change effectively.

The Paris Agreement wants its signatories to strengthen regional cooperation among them on adaptation where appropriate and, where necessary, establish regional centres and networks, particularly in developing countries, as per Decision 1/CP (Paragraph 16).

This includes “facilitating the sharing of good practices, experiences and lessons learned; identifying actions that could significantly enhance the implementation of adaptation actions, including actions that could enhance economic diversification and have

mitigation co-benefits; and promoting cooperative action on adaptation.”¹²

In addition to this, the 44th session of Subsidiary Body for Implementation (SBI 44), held in 2016, brought the Parties together on a number of activities under the Nairobi Work Programme within the UNFCCC to focus on adaptation. They are required to inform adaptation planning and actions at the regional, national and sub-national levels, particularly in relation to ecosystems, human settlements, water resources and health.

In addition to specific sections that refer to adaptation, the sections on capacity building also refer to the need for “fostering global, regional, national and sub-national cooperation; and identifying opportunities to strengthen capacity at the national, regional and sub-national level.”

Further, Article 10 on technology transfer and support, under Sub-section 6, also states that support, including financial and technological, shall be provided to developing countries to help them implement Article 10 with a view to achieving a balance between support for mitigation and adaptation.

Regional action

With the rise in climate change impacts being felt in South Asia, and the economic and social vulnerabilities of people of the region rendering them

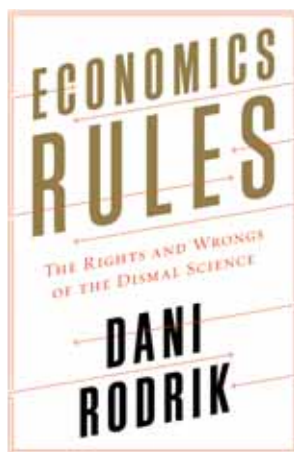
more exposed to these impacts, it is important that South Asia as a region take initiatives to address them. There are differences amid similarities that highlight the need for one country’s capacities put to use to help another country adapt to climate change. In doing this, it is important that the countries’ sovereignty is respected. Actions should be taken to develop the capacity of countries through technical and financial support. And the idea is to build resilience.

The Paris Agreement takes regional cooperation on adaptation and climate action as important elements. It is time for regional actors such as SAARC to take a pro-active role in translating climate policy—discussed in Nepal in 2014 at the SAARC gathering—into concrete actions. This will in turn contribute to building bridges to address other common issues of the region. Facilitating the links between countries for collaborative actions to address climate change issues, through regional cooperation, should lead to a more unified and peaceful South Asia. ■

The author is Executive Director, SLY-CAN Trust, Colombo and Regional Facilitator for Asia, Southern Voices on Adaptation.

Notes

- ¹ IPCC. 2014. *The Fifth Assessment Report of the IPCC: What's in it for South Asia?*. Cambridge: Cambridge University Press.
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- ⁴ IPCC. 2014. *Climate Change 2014: Impacts, Adaptation, and Vulnerability*. Cambridge: Cambridge University Press.
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- ⁶ *ibid.*
- ⁷ *ibid.*
- ⁸ *ibid.*
- ⁹ *ibid.*
- ¹⁰ *ibid.*
- ¹¹ *ibid.*
- ¹² Decision 1/CP16 UNFCCC



The art of a dismal science

Title: Economics rules: The rights and wrongs of the dismal science

Author: Dani Rodrik

Publisher: W. W. Norton & Company

ISBN: 978-0-393-24641-4

Zubair Faisal Abbasi

Dani Rodrik is an enlightened mainstream economist. He has questioned the neoliberal orthodoxy that paddles free-trade for maximum welfare. He is also brave enough to explore the practicability of a state-led or state-managed industrial policy, which identifies certain industries and diverts resources towards strategic infrastructure to rev up the engine of growth.

In his book *'Economics rules: The rights and wrongs of the dismal science'*, Rodrik has questioned the charisma associated with economic modelling. He identifies most of the models as little more than story ideas. According to him, every economist tries to simplify a complex phenomenon and expresses what seems striking to them in an imaginary world by creating a model. Rodrik asserts that there are many models with a diverse range of reasoning and perspectives. And, good economists pick the model that could validate their reasoning and hypothesis.

So, expanding the tools is one good way of becoming a better economist. This strategy of economic reasoning helps one to treat economics less as a science, but more as a craft of understanding complex phenomena a bit better. There are, however, people who disagree with Rodrik. For example, economics commentator Noah Smith says that Rodrik's arguments "underrate the importance of the empirical revolution taking place in economics, which promises to help us choose between economic models not based on plausibility, but on evidence".

Rodrik, being a development economist, has been writing about the Washington Consensus approaches, especially on the role of institutions, international trade and development in the backdrop of globalization. This book provides an interesting tale of why such approaches got currency and what has gone wrong with the Washington Consensus. While referring to the neoclassical economics and economic policy prescriptions of 1980s, he sheds light on the weaknesses of mono-economics and reasserts what he has already written in his book "One economics, many recipes".

Emphasizing "multiplicity in reality", he claims that the "theory of everything" style of economics is not going to reveal anything useful. He argues that economics is a different kind of science, as compared to physics or natural sciences, and that the use of scientific methods makes it a science.

In generating a critique on economics and models, Rodrik points out that economics, unlike science, keeps on creating new models without ever "rejecting" or "falsifying" the bad model. Here, I think, he contradicts himself because it is he who emphasizes the multiplicity of models because of the multiplicity in social reality. Therefore, it is possible that the same model that holds good in one situation could prove to be nonsensical in some other context. Thus, the multiplicity of models is actually one of the strengths of economics.

Rodrik points out a stark reality of training in economics. He argues that rather than social relevance, ideology and political preference sometimes

dictate economists in choosing a specific model. In doing so, they ignore relevant ones that could provide better policy prescriptions. He stresses that economists should use discretion in picking up the right model from a bunch of alternatives rather than be fixated by one model.

It is said that economists are trained to share only selective and rather simplistic insights with the public. Rodrik argues that economists create a pro-market stance, whereas a lot of research actually brings forth heterogeneity. Rodrik insists, that such insights must be shared with the public.

This book is a serious critique and defence of the discipline. Refuting the allegation on economists being data-driven, he says that norms are important in social behaviours and economists do pay attention to both norms and evidence. He brings forth examples from growth strategies prescribed and practiced in Africa as well as anti-poverty programmes in Mexico. These examples build a strong case of the usefulness of economics in public policy. In this book, Rodrik seems to be trying to restore the lustre of the profession of economists from the stress it has undergone after the financial crisis.

The last chapter really sums up much of the debate by formulating twenty commandments, ten for the economists and ten for the non-economists. In the end, I must say that the book reminds us that "economists do not think alike". ■

The reviewer is Director, Institute for Development Initiatives (IDI), Islamabad.

The Belt and Road Initiative

For the BRI to become an effective economic integration vehicle it would require as much as US\$1 trillion for more than 900 projects.

Dikshya Singh

In September 2013, China announced an ambitious plan to resurrect the ancient silk routes that connected Asia and Europe. The plan is named as the Silk Road Economic Belt and the 21st-century Maritime Silk Road, popularly known as the One Belt One Road (OBOR), or Belt and Road Initiative (BRI). The idea is to construct commercial land routes connecting China with Europe through Central and Western Asia, and mapping sea routes to link China and Europe through South China Sea and Indian Ocean. The ambitious plan, which touches about 65 countries in Asia, Africa and Europe, would require building and upgrading highways, railways, ports and other infrastructure. The countries covered by OBOR represent 55 per cent of the world Gross National Product, 70 per cent of the world population and 75 per cent of known energy reserves.¹

In March 2015, China's National Development and Reform Commission, Ministry of Foreign Affairs and Ministry of Commerce released its 'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-century Maritime Silk Road'.² According to the document, BRI is "the initiative to jointly build the Belt and Road, embracing the trend toward a multipolar world, economic globalization, cultural diversity and greater information technology (IT) application...". The initiative's objective is to bring in a new era of open and free trade for mutual benefit and common security.

Integration by infrastructure

China has laid emphasis on building a comprehensive trans-regional infra-

structure network of transportation, energy, and telecommunication projects. This includes gas pipelines, railways and highways and deep-sea ports. The major outcomes foreseen by Beijing for pushing for OBOR is to promote policy coordination, connectivity of facilities, unimpeded trade, financial integration and people-to-people bonds.³

According to the vision statement, the multiple trade superhighways under OBOR would bring together China, Central Asia, Russia and the Baltic through one route, while the another would connect China with Western and Central Asia through Pakistan and Persian Gulf to reach the Mediterranean Sea. On the Southern side, a route will connect China to India via Bangladesh and Myanmar. Along with land routes, OBOR aims at establishing nautical connectivity from Asia to Europe. It is designed to go from China's eastern coast, through the South China Sea and the Indian Ocean, touching South East Asia, South Asia, Eastern Africa and North Africa en route to Europe.

The vision document, however, does not provide details. It presents broad sets of notions for pursuing the initiative and policy objectives, thus the projects, programmes and participants could evolve as the routes are forged.

For the BRI to become an effective economic integration vehicle it would require as much as US\$1 trillion for more than 900 projects.⁴ Beijing has planned to finance the projects through Chinese state-owned banks and a series of govern-

ment and multilateral funds, including a Silk Road Fund, the Asian Infrastructure Investment Bank (AIIB), and the New Development Bank (NDB) set up by BRICS countries that include Brazil, Russia, India, China and South Africa. Along with strengthening the lending capacities of its public sector banks, through capital injection to increase lending to OBOR-related projects, China's state-owned investment conglomerate China International Trust and Investment Corporation (CITIC), and its subsidiaries have announced plans to provide over US\$113 billion in debt and equity to support roughly 300 OBOR-related projects.

The US\$40 billion Silk Road Fund, which was established in December 2014, is supposed to invest at least US\$14 billion for funding projects in Central Asia.⁵ Financing OBOR projects is also considered as one of the objectives for establishing the AIIB, which has a capital base of US\$100 billion. Likewise, the NDB formed by the prominent emerging economies is also supposed to be another major vehicle to finance OBOR projects. In addition, China has been pushing for the Shanghai Cooperation Organization (SCO) to establish a financial institution that would provide an additional funding stream for OBOR projects.

Despite the colossal financing requirement for the projects, the countries in Asia, Europe and Africa are eager to become part of the BRI for its promise of shared regional prosperity and stability. However, realizing this vision of collective enrichment is fraught with challenges. The countries included in the initiative are diverse in nature not only culturally

Box

Proposed OBOR corridors

Corridor	Route	Countries covered	Additional info
The New Eurasia Land Bridge Economic Corridor	China's Jiangsu Province through Xinjiang to Rotterdam in the Netherlands through central and eastern Europe	Kazakhstan, Russia, Belarus and Poland, reaching a number of coastal ports in Europe	China has opened a freight rail route linking Chongqing to Duisburg (Germany), between Wuhan and Mělník and Pardubice (Czech Republic), from Chengdu to Łódź (Poland), and from Zhengzhou to Hamburg (Germany).
The China-Mongolia-Russia Economic Corridor	China-Mongolia-Russia	Mongolia, Russia	Three countries have an agreement to forge a tripartite cooperation to strengthen rail and highway connectivity; advance customs clearance and transport facilitation.
China-Central Asia-West Asia Economic Corridor	Alashankou through Central and West Asia to Mediterranean coast and Arabian Peninsula	Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Iran, Turkey	Several multi-million dollar projects are being financed in Central Asia (eg: Kyrgyzstan and Tajikistan). A China-Central Asia pipeline runs through Kazakhstan, Uzbekistan and Turkmenistan.
China-Indochina Peninsula Economic Corridor	Land route through Greater Mekong River region; maritime route through South China Sea	Vietnam, Cambodia, Thailand, Laos, Myanmar, Philippines, Malaysia, Singapore, Indonesia, Brunei Darussalam	There are six highways, two railways, three waterways, two oil and gas pipelines, eight information channels, 15 road ports, two railway ports, and two ports in the Corridor.
China-Pakistan Economic Corridor	Kashgar, Xinjiang in China to Pakistan's Gwadar Port	Pakistan	There is a long-term plan for building highways, railways, oil and natural gas pipelines and optic fibre networks stretching from Kashgar to Gwadar Port.
Bangladesh-China-India-Myanmar Economic Corridor	Kunming to Kolkata through Mandalay in Myanmar, Dhaka and Chittagong in Bangladesh.	Bangladesh, India, Myanmar	The member nations have decided to build multi-modal transport—road, rail, water ways and air ways, infrastructure and agreed on cooperation in energy and power sectors.

Source: Author's compilation from various sources.

and geographically but in terms of economic development as well. In addition, amid the geo-political mistrust directed towards China, another concern is whether the large scale infrastructure investment would be able to generate economic return in comparison to the costs incurred. ■

The author is Research Officer, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu.

Notes

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- 3 *ibid*.
- 4 Yini, H. 2015. "China to invest \$900b in Belt and Road Initiative". *China Daily*, 28-May-2015. http://usa.chinadaily.com.cn/business/2015-05/28/content_20845687.htm. Accessed: 28-December-2016.
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Trade and transport facilitation audit in South Asia

THE difficulties facing trade and transport in South Asia were discussed during a two-day conference held in Kathmandu from 29 to 30 September 2016.

The event was held to disseminate the findings of South Asian Association for Regional Cooperation (SAARC) country studies on trade and transport facilitation in the region.

It was organized by South Asia Watch on Trade, Economics and Environment (SAWTEE) and brought together participants from all the SAARC countries, except Afghanistan.

Discussions were carried out on the findings by regional experts following the presentation of each country study. During the inaugural session, chief guest of the function, Nepal's Minister for Commerce Mr. Romi Gauchan Thakali said that South Asia suffers from connectivity problems and took up the difficulties particularly faced by landlocked nations to drive his point home.

Mr. Suraj Vaidya, SAARC Chamber of Commerce and Industry President, highlighted the difficulties of cross-border trading within the South



Asian region calling on the political leadership for greater political will to remove the hurdles in the way of intra-regional trade.

Ms. L. Savithri, Director for Trade, Finance and Economics at the SAARC Secretariat, said that the intentions of the member countries have been good, that the institutions are there but things have not been moving as well as expected, as "we have focused on cooperation rather than integration".

Dr. Posh Raj Panday, Executive Chairman of SAWTEE said that cross-border trade facilitation can

benefit countries through a greater amount of trade and a diversified trade, not to mention the benefits it gives to small and medium enterprises, he said and warned that without measures to do so South Asia's existing competitive advantage could erode.

The dissemination meeting brought together government officials, practitioners, private sector representatives, media personnel, academics and various other stakeholders to share their knowledge and experience in trade and transport facilitation across South Asia. ■

'Developing nations should adapt to mega-regionals'

THE importance of adaptation by developing countries to trade policy changes that come with the implementation of regional and mega-regional trade agreements was discussed in Colombo on 4 July 2016.

Institute of Policy Studies of Sri Lanka (IPS) in Colombo organized the seminar titled "Recent trends

in international trade policy: Perspective from the US".

Prof. Robert Z. Lawrence, Albert L. Williams Professor of International Trade and Investment at the Kennedy School of Government, Harvard University, noted the emergence of domestic political movements in the United States against trade liberalization through agreements such as the

Trans-Pacific Partnership.

The seminar also addressed potential implications of Brexit, or the exit of Britain from the European Union, for international trade.

IPS Executive Director, Dr. Saman Kelegama, researchers, experts from the state and private sector as well as academia participated in the discussion. ■

SMEs' role in global trade discussed

THE role of small and medium enterprises in global trade was discussed at the World Trade Organization Public Forum on 27 September 2016. The discussion titled 'Trade policy - A tool to facilitate the participation of SMEs in global trade' was organised by Consumer Unity & Trust Society (CUTS) International, India.

Presentations made a case for changes required in the trade policy of low-income countries for facilitating this objective, particularly from the point of view of employment generation in tradable manufacturing and services and in helping small and medium enterprises (SMEs) become a part of global value chains.

The discussions also emphasized on facilitating SMEs to be a



driver of innovation driven future economy including linking it to the Hangzhou G20 Summit Declaration.

Mr. Pradeep S. Mehta, Secretary General, CUTS International, while opening the session, observed that the focus of the programme was to brainstorm around the question "Why trade policy is an important tool to facilitate the participation of SMEs in global trade"? ■

Cooperation on food, water and energy discussed

A discussion was organized in New Delhi on 29 July 2016 to build consensus on how to bring about trans-boundary cooperation in South Asia to achieve food, water and energy security.

Consumer Unity & Trust Society (CUTS) International organized the dialogue to share the advocacy messages in the domains of agriculture, water and energy with a wide group of stakeholders including policy makers, academia, civil society organisations and media from the region. The event was titled, 'Sustainable Development in South Asia: Exploring Trans-boundary Cooperation in Agriculture, Water and Energy'.

The event was part of the project 'Sustainable development investment portfolio: Promoting water, food and energy security in South Asia'.

SDIP is supported by Department of Foreign Affairs and Trade, Australian Government and implemented by CUTS International in India with the cooperation of Unnayan Shamannay in Bangladesh, SNV in Bhutan, South Asia Watch on Trade, Economics and Environment (SAWTEE) in Nepal and Sustainable Development Policy Institute in Pakistan.

It was attended by more than 60 participants from Bangladesh, Bhutan, India, Nepal and Pakistan comprising representatives from specific government departments, business associations, universities and research institutions, academia, subject experts, non-governmental organizations, media and diplomats in the domain of agriculture, water and energy. ■

Conference on sub-regional connectivity, energy, investment

SUB-REGIONAL connectivity, energy and investment were discussed at an event held on 24 September 2016 in Mumbai.

SAARC Chamber of Commerce and Industry (SCCI) organized the conference "Unleashing South Asia: Connectivity, sub-regional initiatives, energy and investment protection".

Representatives from both the public and private sectors discussed regional connectivity, energy and intra-regional investment in South Asia. The discussions were expected to suggest the way forward to the SAARC Secretariat prior to the upcoming 19th SAARC Summit.

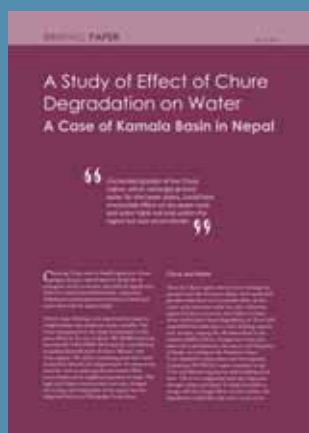
The objective of the conference was to exchange views on issues and



challenges faced by South Asia in fostering intra-regional connectivity and investments for enhanced regional economic integration. About 45 participants representing government, non-government, academia, business and press attended the event. Trade experts and businessmen from the region addressed the conference. ■



Working Paper: History, growth and implications of formal seed system in Nepal
Author: Dr. Kamlesh Adhikari
Publisher: SAWTEE



Briefing Paper: A study of effect of Chure degradation on water : A case of Kamala Basin in Nepal
Author: Ms. Dikshya Singh
Publisher: SAWTEE



South Asia Watch on Trade, Economics and Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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