

# Trade and Development Monitor

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## OPINION IN LEAD

### Tackling hunger in South Asia

Some 40 percent of the world's hungry live in South Asia, which also has the highest concentration of the poor. The food and financial crises of 2008 are estimated to have pushed, at their peak, an additional 100 million South Asians into the state of hunger. More than 300 million people in South Asia go hungry to bed now.

The resurgence of food price rise since the second half of 2010 has further exposed the vulnerability of South Asia in terms of food insecurity. While there has been significant progress in reducing the proportion of undernourished people in the population in Sri Lanka, Nepal and Bangladesh, the figure has remained stubbornly at about the same level in India and Pakistan, where it is 19 and 25 percent respectively for the period 2006-2008, about the same as during 1990-1992. Moreover, the vulnerability to food price shocks is acute.

While economic growth is in general a necessary condition for poverty reduction and a means for enhancing purchasing power, an element towards achieving food security, high growth does not automatically translate into improved food security situation. Neither does adequate food production. India is a fitting case in point. Achieving close to double-digit growth has failed to improve food security indicators significantly. As reported by Oxfam in its GROW campaign report, *Nourish South Asia: Grow a Better Future for Regional Food Justice*, “In homes, nutritional rehabilitation centres and hospitals, unreported by the media, every single day more than 2000 children die of hunger in India alone.” This is happening even in the presence of surplus production nationally and the government’s food warehouses are full. There is no sign of the “paradox of hunger amidst plenty” disappearing. However, the experience of Sri Lanka does show that even with limited resources, as the report notes, it is possible to improve food security and justice. The island nation, even without the scintillating growth performance of its giant neighbour, has in the last 20 years reduced child underweight rates by a quarter and stunting by three quarters.

But for most countries in South Asia, which are net food importers, food demand far outstripping food production does pose a serious challenge. Even India has to address the declining productivity challenge to head off a production crisis in the future. South Asia’s population set to increase by a third in the next 40 years, accompanied by a surge in the demand for food with rising incomes. But, as the Oxfam report notes, productivity from the resource-intensive Green Revolution agriculture has plateaued, and “incessant diversion of fertile land for non-farm activities, depletion of ground water tables and declining budgetary support, have pushed South Asian agriculture to the brink”. And climate change could exacerbate these resource constraints in a region where 60 percent of farming is rain-fed.

In this context, and given that climate change is expected to increasingly play havoc with the agricultural system, some of the recommendations of the Oxfam report are pertinent: a) protecting the universal right to food through reduced vulnerability by creating a minimum social protection floor to prevent people from falling into hunger; b) supporting small farmers by building a new agricultural future by prioritizing the needs of smallholder food producers — where the major gains in productivity, sustainability, poverty eradication and resilience can be achieved; c) investing in inclusive climate change adaptation measures, mitigating climate change by pursuing sustainable pathways to cutting carbon emissions, and dismantling subsidies and targets for biofuel production; and d) extending regional cooperation by operationalizing the SAARC Food Bank and ending export banks especially among regional neighbours.

These apart, it is also important that the barriers to intra-regional trade in food and agricultural products be addressed in a way that contributes to food security in the region. Effectively and speedily operationalizing the SAARC Seed Bank, whose establishment is expected to be announced at the 17th SAARC Summit in the Maldives next week, is another area where regional cooperation can yield dividends for food security.

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## ANALYSIS

### Road to WTO ministerial appears murky

The past weeks have seen a flurry of activity at the World Trade Organization (WTO) in preparation for the upcoming December ministerial. Delegations are pushing to finalize items for inclusion in the ministerial agenda. Meanwhile, members are also exploring the option of an “early harvest” for some Doha items in an effort to move past the current negotiating impasse.

WTO Director-General Pascal Lamy, speaking to the Trade Negotiations Committee (TNC), urged members that the “challenge before us is to convert the prevailing negative mood into something positive – a signal on forward movement.” To that end, Lamy suggested that this be done via a series of “smaller steps,” instead of a major leap forward or revamping the Doha agenda. The Director-General has been conducting a series of consultations with WTO members since the last TNC was held in late July. At July’s TNC, members abandoned the

plan to pursue an LDC-plus package oriented around the needs of least-developed countries (LDCs).

With regard to the “smaller steps” approach suggested on Friday, Lamy noted a convergence among members around advancing negotiations “in areas where progress can be achieved.” Paragraph 47 refers to the WTO concept of single undertaking, where “nothing is agreed until everything is agreed.” However, the paragraph allows for agreements reached at an early stage to be implemented either provisionally or definitively – in other words, an “early harvest.” The paragraph adds that such agreements “shall be taken into account in assessing the overall balance of the negotiations.”

The approach the Director-General discussed would therefore involve moving away from the single undertaking, finding agreement on smaller issues for the time being. Should agreement eventually be reached on all Doha issues, the areas initially agreed upon would be reviewed in the context of the entire Doha package for balance.

The “small steps” suggestion and current state of play drew responses from several members. Some members, including Kenya on behalf of the African Group, marked their disappointment with the current impasse in Doha talks. Australia, speaking on its own behalf, cautioned that the worst outcome is more of the same. Norway and Mexico both noted that an early harvest is necessary, given the difficulties in achieving consensus. The United States, in their statement to the group, recognized the progress in identifying possible themes where members might converge. However, Ambassador Michael Punke cautioned that “we should not pretend that [this progress] is more or less than it is.”

Along the lines of the paragraph 47 suggestion, China urged that “priority should be given to addressing the concerns of developing members” and called upon ministers, developed and developing alike, to put in a concerted effort to “continue to work out something tangible for the [least developed countries, or LDCs],” in line with the development mandate of the Round.

While few specifics were suggested on the “small steps” possible on Doha, the European Union (EU) did make a series of suggestions for moving past the negotiating impasse. These included a call for a Trade Facilitation Agreement, coupled with special and differential treatment and appropriate supporting measures for developing countries. The EU argued that this would “represent a genuine win-win outcome for the membership and be of real value for our traders.” Other EU suggestions included the removal of non-tariff barriers and improved functioning of the Dispute Settlement Mechanism, which would “reduce regulatory impediments to trade and reinforce the multilateral trading system”. Along the lines of further attempts at trade liberalization, the EU suggested that members examine the possibility of targeted sectoral initiatives, adding that a number of such proposals are already under discussion in the non-agricultural market access negotiating group.

At the formal General Council meeting, the EU proposal drew disapproval from some members, particularly India. The latter stressed that this type of discussion had already been had before, and any new movement would need involvement from ministers.

*Adapted from Bridges Weekly Trade News Digest, Vol. 15, No. 36, 26.10.11.*

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## **OTHER NEWS**

### **Slow progress in last climate talks before Durban**

Slow progress on trade issues and continued divisions over the future of the Kyoto Protocol during the 1-7 October United Nations meeting of climate negotiators in Panama City do not augur well for the possibility of a substantial agreement in 17th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) this December in Durban, South Africa.

Negotiations took place in Panama under the Ad-hoc Working Groups for Long-term Cooperative Action (AWG-LCA) and for the Kyoto Protocol (AWG-KP).

The AWG-KP discussions focused primarily on the second commitment period under the Kyoto Protocol, as the first commitment period expires at the end of 2012. While the decision countries will take in Durban as to the future of the Protocol still remains uncertain, negotiations nevertheless continued to advance on details of a possible second commitment period.

The African Group, the Least Developed Countries and the ALBA (Bolivarian Alliance for the Peoples of Americas) group of countries launched an alliance in Panama City on the sidelines of the climate talks to “save the climate regime and ensure success in Durban”.

The Statement of Common Position adopted by the three groups stresses, among other things, that the negotiations must produce two outcomes in Durban line with the Bali Roadmap—an agreed outcome to implement the Convention and a second, subsequent period for the Kyoto Protocol.

Developing countries are concerned over the lack of progress in Panama especially over the issue of finance. The delivery of fast-start financing of US\$30 billion for the period 2010-2012 pledged by developed countries has been excruciatingly slow. The three groups see the US\$100 billion per year to be mobilized by 2020 as part of long-term finance as agreed in Cancun as just the floor, with more needed, including for adaptation.

In the final plenary of AWG-KP on 7 October, developing countries made strong statements on the importance of adopting the second commitment period of the Kyoto Protocol in Durban, through an amendment to its Annex B. On the other hand, developed countries stressed a new climate change framework and the continuity of the market mechanisms. Developing countries have also questioned why the Protocol’s market mechanisms should continue post 2012, in the absence of a second commitment period starting in 2013.

Meanwhile, *Bridges Weekly* reports that the discussions on so-called “response measures”—national policies or programmes aimed at reducing carbon emissions—continued under various negotiation tracks but none with any real substantive progress.

*Adapted from Bridges Weekly Trade News Digest Vol. 15, No. 34; Third World Network Panama News Updates.*

## **SAARC countries to set up seed bank**

In a bid to boost agriculture production and productivity in the region, member countries of the South Asian Association for Regional Cooperation (SAARC) are all set to establish a SAARC Seed Bank during the 17<sup>th</sup> SAARC Summit to be held in the Maldives on November.

The proposed seed bank is expected to deal with seed production and exchange of varieties and seed trade between and among member countries.

The SAARC agriculture ministers’ meeting scheduled to take place before the summit is expected to endorse the decision. “Similar to SAARC food bank, the proposed seed bank will help member states exchange varieties of seeds produced in their territories and help farmers get quality seeds,” said Hari Dahal, spokesperson for the Ministry of Agriculture and Cooperatives, Government of Nepal.

According to the ministry, the proposed seed bank will particularly be useful in addressing seed shortages caused by natural calamities. It will also ensure greater availability of quality seeds and spread of high yielding improved crop varieties, exchange of seeds and plant genetic resources and sharing of practices, technologies and techniques.

After the seed bank comes into existence, SAARC countries can share and grow common varieties of seeds. Currently, each country has its particular variety of seeds and some of them are not grown in other territories, while some are restricted by intellectual property

rights. According to Abul Kalam Azad, director of SAARC Agriculture Centre, the draft of the proposed seed bank has almost been finalized.

As per the plan, all member countries will have enough stocks of quality seeds, and in case of calamities, one member can borrow from the other.

Each member country has to contribute one percent of their total seed requirement to the bank as reserve. Similarly, extension and research work will be carried out in joint cooperation to produce quality seeds.

Source: [www.ekantipur.com](http://www.ekantipur.com), 31.10.11.

## **SAARC business conclave issues 9-point declaration**

The fourth SAARC Business Leaders Conclave (SBLC) concluded in Kathmandu on 22 September, issuing a nine-point Kathmandu Declaration.

The conclave that was attended by the private sector, experts and political leaders from eight member countries of the South Asian Association for Regional Cooperation (SAARC) unanimously agreed to urge the governments to engage seriously in regional connectivity and requested them to take appropriate urgent measures to implement the action plan envisioned under the doctrine '2010-2020 as decade of Regional Connectivity'.

The three-day conclave stressed the harmonization of customs procedures and mutual recognition of standards and certifications, finalizing and implementing regional motor vehicle transport agreement and common SAARC energy policy, including trans-border transmission and energy trade to foster greater regional cooperation. The business community of the region also recommended signing of regional investment treaty and upgrading the Agreement on South Asian Free Trade Area (SAFTA) into a comprehensive economic partnership agreement for the region.

The meeting also recognized water, energy, climate change, and food security as priority concerns and pledged adoption of necessary collective measures to address these challenges. It also vowed urgent implementation of regional environment treaty, activation of SAARC Food Bank and proposed setting up of the SAARC Disaster Management Institute to minimize the impact of natural calamities and climate changes.

Meanwhile, handicraft entrepreneurs from SAARC countries signed a memorandum of understanding pledging to offer mutual assistance in promoting general understanding of the market and the investment situation in their respective countries. They are also expected to lobby for waiving the tariff on handicraft products, said Pushkar Man Shakya, chief coordinator of the Federation of Handicraft Associations of Nepal.

Source: <http://www.ekantipur.com>, 22.09.11.

## **Food prices set to rise further**

Food price volatility featuring high prices is likely to continue and probably increase next year, making poor farmers even more vulnerable to poverty and food insecurity, the 2011 global report on food insecurity released by the United Nations' three Rome-based food agencies predicts.

Small, import-dependent countries, particularly in Africa, are especially at risk. "Many of them still face severe problems following the world food and economic crises of 2006-2008," the UN Food and Agriculture Organization (FAO), the International Fund for Agricultural Development (IFAD) and the World Food Programme (WFP) said in a preface to The State of Food Insecurity in the World 2011.

"The main reason for increased price volatility is that supply production cannot catch up with demand," said FAO senior economist George Rapsomanikis. There is a steady increase in

demand, mainly due to increase in the population, and also a change in the diet of population in emerging economies who are gradually changing their diets, including more meat and more grain. On the other hand, the global stock levels are becoming lower, lower than they used to be ten years ago and if there is an external shock in the market, this is going to generate volatility, said Rapsomanikis.

High and volatile food prices are identified as major contributing factors in food insecurity at the global level. Price volatility makes both smallholder farmers and poor consumers increasingly vulnerable to poverty while short-term price changes can have long-term impacts on development, the report says.

But price swings affect countries, populations and households very differently. According to the report, the most exposed are the poor and the weak, particularly in Africa, where the number of undernourished increased by 8 percent between 2007 and 2008. Countries that import food are going to be the most vulnerable.

The report also finds that further growth in biofuels will place additional demands on the food system. Food price volatility may increase over the next decade due to stronger linkages between agricultural and energy markets.

The report also stresses that investment in agriculture remains critical to sustainable, long-term food security and asks governments to facilitate and increase investments. Key areas for directing such investments, the report says, should be cost-effective irrigation, improved land-management practices and better seeds developed through agricultural research.

According to FAO, part of these investments can come from official development assistance (ODA), but that is not going to be enough, because an investment gap remains, pointing to the need for private investment. Smallholders are facing so many constraints that it is hard to see them as investors. Many smallholder farmers are not integrated in the market, they do not have access to output market and even to inputs, to technology, to financing and credit. This is where governments and the private sector could help—through public-private partnerships that provide transportation infrastructure to farmers who are in remote areas, the report suggests.

FAO's best estimate of the number of hungry people for 2010 remains at 925 million. For the 2006-2008 period FAO calculates that the number of hungry were 850 million.

Source: <http://ipsnews.net/>, 10.10.11.

## **Instability, pest behind fall in Pakistan's rice exports**

Pakistan may miss the rice export target of US\$2.5 billion this year because of destabilization in Karachi, and inability of exporters and millers to deal with the Khapra beetle.

While many blame law and order situation in Karachi as the main reason for slowing down export, others believe the uncontrolled presence of the pest in rice will damage its foreign sales further. Rice export dropped by 16 percent from US\$184 million in July 2010 to US\$159 million in July 2011. Basmati sales went down by 10 percent and IRRI-6 and other varieties recorded decline of 14 percent. Basmati exports were at US\$88 million in July this year against US\$104 million in the same month last year. Similarly, non-basmati exports fell to US\$70 million from US\$80 million.

Exporters report all kinds of hindrances in Karachi, starting from fleecing of money on each container to hijacking of vehicles. Transporters avoid taking commodity to the port, especially from Punjab, as they have to cross the volatile Sindh and land into a city that is literally on fire. From the National Highway to Karachi port, countless gangs of criminals can stop a vehicle in every locality and demand money even if they do not hijack the container. By the time a container reaches the port, it has already paid more money than it is expected to earn in the market abroad. It remains a critical point if exports have to pick during the next few months.

Luckily, price in the international market is better. Pakistan may be in with a chance to recover and hit the US\$2.5 billion target. But it would certainly miss it by a big margin if the city remains violent.

The other issue, though not a new one, that is threatening to affect the export is the Khapra beetle. Though it is not a rice pest, it is continuously being found in exports consignments, especially to the hyper-sensitive United States (US) market. An American team was in Pakistan to ensure proper preventive measure. The US has ordered strict inspection of each consignments rather than a random one as had been the case. Though export to the US is merely 16,500 tons, the trouble is that once the US takes punitive action on this account, the European Union is sure to follow. Unfortunately, the Khapra beetle is purely a management issue rather than the quality or crop.

The Khapra beetle is a banned pest in most part of the world, including Europe and the US. Its anatomy makes its very threatening. It can survive without its food (wheat) for more than nine months and remains dormant with little food for more than a decade. It means that once it enters a land, it is very difficult to get rid of it. This explains the world's sensitivity to the pest. Russia once banned Pakistani exports for the same reason.

Source: <http://www.dawn.com/2011/09/05/agriculture-and-technology-fall-in-rice-exports.html>, 05.09.11.

## **USAID, Monsanto tie up for maize crop in Nepal**

The United States Agency for International Development (USAID) announced on 14 September that it would launch a programme in partnership with Monsanto, a US-based multinational bio-tech giant, in a bid to enhance maize production in Nepal.

The announcement came after about two weeks of WikiLeaks' revelations how the American government is guided by the interests of giant bio-tech companies like Monsanto.

Interestingly, Monsanto is one of the companies, the product of which when used in the Tarai (southern plains of Nepal bordering India) last year had turned out to be a fiasco with farmers failing to produce corn cobs. Maize planted in thousands of hectares of land had been wasted, and despite protests from the farmers, Monsanto had refused to pay compensation.

Diplomatic cables released by WikiLeaks in the last week of August revealed that the diplomats across the globe had been advocating Monsanto and were guided by the interests of the company. Several cables describe "biotechnology outreach programmes" in countries across the globe, including African, Asian and South American countries where Western bio-tech agriculture had yet to gain a foothold.

However, officials at the US Embassy in Kathmandu said it was one of the duties of the US embassies across the globe to promote US companies and help them enhance their business. "US embassy facilitates its companies for fostering the market which is normal and also helps to bring the US investment in different sectors if the companies are interested," said an official at the US Embassy.

"On one hand there is the need to produce more to fulfil the growing demand of food with the increasing population and on the other, our dependency on multinational companies is increasing alarmingly, which is worrisome," said Bhola Man Singh Basnet, a senior agro expert.

The US Embassy said the Ministry of Agriculture and Cooperatives, the Department of Agriculture, Government of Nepal, USAID and Monsanto have partnered to promote the use of hybrid maize seeds and provide training to farmers in Nepal. "USAID and Monsanto, in coordination with the government, will implement a pilot maize production project to promote the use of hybrid seeds in the key maize producing districts of Chitwan, Nawalparasi and Kavre," said the Embassy.

Source: <http://www.thehimalayantimes.com>, 14.09.11.

## **“Boomerang” aid enriches donors: Study**

Development aid is ineffective mostly because it is tied to contracts worth billions of dollars awarded to firms in developed countries in a phenomenon called boomerang aid, a new study says. The study by the European Network on Debt and Development (Eurodad) shows that more than two-thirds of all aid contracts are bagged by companies in the developed countries.

Eurodad is a network of 58 non-governmental organizations from 19 European countries that researches and works on issues related to debt, development finance and poverty reduction.

The new study was released ahead of the Fourth High Level Forum in Busan, South Korea, that will bring together the world's governments and stakeholders in November to consider how to make aid more effective. Eurodad examined case studies in Namibia, Ghana, Uganda, Bangladesh, Nicaragua and Bolivia to arrive at its conclusions, one of which links aid effectiveness with procurement, or the purchase of goods and services in implementing aid.

Few poor countries have managed to become independent from international aid. This is partly due to donors' procurement practices, the report states.

"We found that most aid never enters the economy of a developing nation," says Bodo Ellmers, a Eurodad policy officer who spent two years preparing the report.

According to official statistics from the Organisation for Economic Co-operation and Development (OECD), the total amount of official development assistance in 2009 was 92 billion euro (US\$128 billion). "Most people think these 92 billion euro were given to developing countries, but, when you take a look at the aid contracts, two-thirds were awarded to companies in the North, only benefiting the North's economy. That's one of the main reasons why aid is not steering development, including decent jobs and higher incomes," said Ellmers.

In 2001, OECD countries signed the first agreements to untie aid. Notwithstanding the promises made 10 years ago, 20 percent of all bilateral aid is currently still tied, says the Eurodad study. Furthermore, most untied contracts still go to firms from rich countries.

The study shows that half of the contract value in World Bank-funded projects in the last decade went to firms from donor countries, with the share increasing with the size of the contract. In 2008, 67 percent of all World Bank-financed contracts went to firms from just 10 countries. Most recipient countries are pressured to allow transnational companies to bid for contracts. "The message often is: we will give aid if you open up your market for international competition," Ellmers said.

Eurodad pleads for 'smart procurement' and preferential access for local or regional companies to be awarded aid contracts. "If we want to build a road in Ghana, we should give the contract to a Ghanaian company," Ellmers said. "It gives us double dividend: the road will be built, but most importantly there will be new jobs, income and increased capacity."

Source: <http://ipsnews.net/news.asp?idnews=105005>, 06.09.11

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## **ACTIVITIES**

### **South Asian researchers trained in CGE modelling**

SAWTEE and South Asia Network on Economic Modelling (SANEM) organized the Fourth South Asian Training Programme on CGE Modelling from 20-23 September 2011 in Kathmandu. Twenty researchers from South Asia were provided with basic knowledge of Input-Output Tables, Social Accounting Matrix and CGE modelling so to enable them to



contribute to informed trade, climate and development policy making and implementation in South Asia, and help the region in its pursuit of an effective and meaningful integration into the global economy.

### **Consultation on “Food Justice in a Resource Constrained South Asia”**

SAWTEE and Oxfam organized a two-day South Asian Consultation on “Food Justice in a Resource Constrained South Asia” on 26-27 September 2011 in Lalitpur, Nepal.

More than 40 stakeholders from Bangladesh, India, Nepal, Pakistan and Sri Lanka participated in the regional consultation. The objectives of the consultations were: to critically debate key drivers of food insecurity and inequality in South Asia; explore national and regional solutions that help address current and future challenges in ensuring sustainable agricultural production, and equity in terms of access and sustainable management of land, and water; and identify regional options and mechanisms to promote resilience to climate change.

The regional consultation also aimed to contribute to current policy debates while informing South Asian stakeholders of policy options towards building a new agricultural and ecological future in South Asia.

At the event, Oxfam also launched its regional GROW campaign and a report titled “Nourishing South Asia: Grow a Better Future for Regional Food Justice”.

### **4th South Asia Economic Summit**

The 4th South Asia Economic Summit (SAES) was organized by the Centre for Policy Dialogue (CPD) in Dhaka on 22-23 October 2011. SAWTEE was one of the co-organizers of the Summit. The theme of the 4th SAES was *Global Recovery, New Risks and Sustainable Growth: Repositioning South Asia*. One of the parallel sessions of the Summit was titled “Addressing Implications of Climate Change within a Regional Framework: What are the Recent Initiatives?” The session was chaired by Dr Posh Raj Pandey, Executive Chairman, SAWTEE. Many prominent experts from South Asia working on areas of climate change deliberated on different issues related to climate change and the need for regional cooperation. Details of the Summit, including the concept note, presentations, pictures, etc. are available at <http://www.cpd.org.bd/saesiv/programme.asp>

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