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OPINION IN LEAD

Economic non-cooperation in South Asia

Let us face it. Even though the South Asian Association for Regional Cooperation (SAARC) came into existence in 1985 and the Agreement on South Asian Free Trade Area (SAFTA) came into force in mid-2006, the progress in increasing intra-regional trade flow has been miserable. Intra-regional trade stood at approximately 5 percent in 2010, up from 2.5 percent in 1995, of total world trade of the region. The regional bloc, which also houses the largest number of people below the US$1.25-a-day poverty line, remains one of the least integrated regions in the world. A slew of reasons such as limited coverage of products of high trade interest by the agreement's trade liberalization programme, and prevalence of non-tariff barriers (NTBs) along with the difficult political relations between the most influential members have undermined the progress in further integration under SAFTA.

Just because there is very low intra-regional trade right now does not mean that the potential for reaping gains from SAFTA has exhausted. In fact, SAFTA could be better judged by the unexploited potential rather than by the achievements made so far under the given terms of the agreement. In this regard, there is a need to look at the cost consumers are implicitly incurring due to the lack of needed cooperation in the region. This means evaluating the costs incurred by consumers in terms of the final price due to inclusion of a large number of products with intra-regional trade potential under the respective "sensitive lists" by SAFTA member countries with the objective of controlling imports and out of revenue, environment and employment considerations.

A recent study on the costs of economic non-cooperation finds that further liberalization could yield a minimum consumer welfare gain of approximately US$2 billion each year by way of savings on aggregate expenditure on imported products in selected categories. The study derived potential consumer welfare accruing to each country by taking the difference between the total import expenditure in selected products incurred by a country under consideration and the likely import expenditure if that country were to import the same products from SAFTA trading partners at a lower price. Of the US$2 billion total consumer gain, India's share is estimated to be 30.66 percent, followed by Nepal's 23.48 percent, Bangladesh's 20.46 percent, Sri Lanka's 14.81 percent, and Pakistan's 10.58 percent. Note that the estimated figures represent only the minimum gains, but the total gains could be much higher due to the long-run impacts of positive cycle of growth in intra-regional trade.

What do the consumers feel about intra-regional trade in South Asia? The perception surveys carried out in India, Nepal, Bangladesh, Sri Lanka and Pakistan for the same study reveal a familiar observation: The key stakeholders feel that there is a lack of reference to consumer welfare gains in the academic literature as well as in the popular media. It has also contributed to the half-hearted initiatives by governments to push for meaningful liberalization and integration of countries in the region. The surveys show that there exists very low expectation about consumer welfare gains because of either ignorance about such issue or negligence, thinking that it is not an important issue.

It is vital that consumers know the costs of economic non-cooperation in South Asia. Only then will there be genuine pressure on governments to act on tackling the constraints that are hindering meaningful integration of the economies based on comparative advantage and mutual respect. Overall, a change in attitude and perception regarding the lost opportunities and higher costs accruing from the lack of needed liberalization in South Asia is required. The time has come to ramp up support for speeding up the South Asian integration agenda from the bottom-up along with the slow-moving initiatives by governments in the region.

ANALYSIS

How Afghanistan can escape the resource curse

Until just a few weeks ago, serious talk about an Afghan economy based on natural resources seemed premature. But as Kabul inks more mining deals with international investors—it awarded two major tenders at the end of 2011—and as the North Atlantic Treaty Organization (NATO) continues its drawdown of international troops, natural resources are shaping up to serve as the cornerstone of sustainable development there. This raises an unavoidable and possibly tragic question: Considering the country's lack of infrastructure and its rampant corruption, will Afghanistan become yet another data point in the literature on underdeveloped countries that fall victim to the resource curse?

The possibility is real. Officials in both Washington and Kabul claim that the country's mineral wealth is worth as much as US$3 trillion. Experts have suspected Afghanistan's resource potential for decades, and US Geological Survey fieldwork conducted between 2009 and 2011 confirmed the existence of significant copper, iron ore, gold, lithium, rare earths, and mineral fuel resources such as coal, oil, and gas, and possibly even uranium.

But several countries in Central Asia have struggled with exactly these challenges in recent decades—and offer a valuable guide to Kabul, Washington, and international investors. Mining corporations and the Afghan government have wasted no time. In late 2011, Afghanistan's Ministry of Mines signed an oil exploration and production deal with the Chinese National Petroleum Corporation to develop the Amu Darya basin's 80 million barrels of estimated crude reserves over the next 25 years; production is expected to begin this year. At the moment, the ministry is finalizing details with an Indian consortium of mining companies to develop the Hajigak deposit, one of the largest undeveloped iron ore deposits in the world, which has the potential to produce steel for the next 40 years. Both of these deals come after Kabul signed over to the Chinese the rights to the Aynak copper deposit in 2008, and the Qara Zaghan gold deposit to a consortium of investors gathered together by J. P. Morgan in early 2011. Taken together, these first forays into Afghanistan's newfound subterranean treasure chest will mean billions of dollars in investment over the next decade; there will be new rail infrastructure, power plants, and possibly even a refinery. Kabul will reap significant new tax revenues, and tens of thousands of Afghans will be put to work.

Unconditional celebration, however, would be premature. Agreements notwithstanding, not a single mine has produced anything tangible—not even the almost four-year-old Aynak copper mine, which will allegedly begin operation next year. Chinese investors also appear to be sliding on their promise to build a railroad as a part of the Aynak deal. Because of likely high operating costs, it remains unclear when the J. P. Morgan consortium will be able to produce an ounce of gold that competes at market prices.

What's more, estimates for trillion-dollar earnings are almost entirely based on resources, not reserves—a technical but critical difference. Reserve estimates incorporate economic, legal, social, governmental, and environmental risks to determine what is actually profitable to develop, as well as the site-specific mining and metallurgical challenges. Resource estimates result in optimistic press releases; reserve estimates result in foreign investment, jobs, and budgetary contributions. Kabul and Washington have focused on signing deals, thinking that a few key agreements would soothe the concerns of risk-averse investors. But the real challenge for the industry will be in production. And the test for Afghanistan—herein lies the possibility of a curse—will be whether or not a majority of the country reaps the secondary benefits of the mining sector's development.

Resource curse theories follow two tracks. On the first, the overwhelming revenue drawn from the sector exacerbates corruption within the government. That scenario is hardly difficult to imagine in Afghanistan, as the country is currently considered the second most corrupt in the world, according to Transparency International. On the second track, increased mineral exports strengthen a country's currency and consequently crowd out other sectors (such as agriculture) from being competitive on the world market. This is a threat in Afghanistan, clearly, as its economy is largely dependent on farming.

But several countries in Central Asia have struggled with exactly these challenges in recent decades. Many states in the region are blessed with mineral wealth but cursed by infrastructure obstacles and social instability; accordingly, they have faced challenges in attracting foreign investors, cultivating resources without losing profits to graft, and avoiding introducing new divisions among the population. The most important lesson for Afghanistan to learn is that it will have to build a resource-based economy with the support of local Afghans.

Take Kyrgyzstan, a mountainous, landlocked country with little rail infrastructure, deteriorating roads, and an economy based on foreign aid, remittances, and mining. Until recently, successive authoritarian leaders since the mid-1990s, such as Askar Akayev and Kurmanbek Bakiyev, advised foreign mining companies to avoid getting involved locally; a few token social projects to placate the people living near a project would suffice. But keeping out of local affairs has backfired. Mining revenues were funnelled to elites in the capital, and a negligible percentage went to the local community for development and infrastructure projects.

Over time, local miners moved their families (and wealth) to the capital city; the loss of revenue and investment left the mining towns without running water or a functioning sewage system. In Barskaun, the only paved road is the one that leads to the mine—Kumtor, a single gold mine, which represents 10 percent of the country's GDP. That neglect not only short-changed the locals but breeds insecurity today. In Aral, where there is a foreign-operated gold mine, armed men on horseback caused a million dollars' worth of damage in October 2011, forcing the site to remain closed until a settlement was reached with villagers three months later.

But then consider Kazakhstan, where the opposite has happened. The country of 16 million is an oil and gas exporter but also a global leader in copper, iron ore, chromite, lead, zinc, gold, coal, and uranium reserves and production. Since its independence in the 1990s, both foreign investors and government officials have focused on socioeconomic development in the areas surrounding key mining sites; today mines serve as a catalyst for province-wide growth. Managers and workers live locally, spend locally, and educate their children locally.

Astana has imposed strict requirements on foreign miners—forcing them to sign annual memorandums of cooperation with local governors, under which both parties together determine the social investment projects to be funded by the firm in the province for that year. The strategy dates back to the Soviet era, when most of these mining operations had their hand in all aspects of the local community. Today this is reflected in foreign mining companies funding schools, gyms, sports stadiums, day-care centres, and orphanages and foster care networks, as well as providing electric-power capacity to homes and businesses across the country. Not coincidently, Kazakhstan ranks far ahead of all other Central Asian states on country risk indices for foreign investors.

Unfortunately, at the moment Afghanistan is looking more like the former than the latter. Politically the country is already overly centralized in Kabul, and with Aynak and Hajigak within driving distance, it's not difficult to envision a future where the benefits of the extractive sector remain in the capital. Further, while all foreign developers are required to invest in development projects, it remains to be seen if these firms will make good on their promises and if local leaders will be empowered in the subsequent decision-making process. Whereas Kazakhstan enforces strict production and investment quotas—if you don't produce and invest as you promised, you're out—citing force majeure in Afghanistan (from war to civil disturbances to labor issues) seems like an easy way for Aynak and Hajigak to renege on local commitments, potentially aggravating the existing socioeconomic gap between Kabul and the rest of the country.

It all comes back to ensuring a positive correlation between increased foreign investment and improved quality of life. In Kyrgyzstan you have armed men on horseback; in Kazakhstan you have local athletes wearing jerseys sporting the foreign miner's logo. There's no question that there are significant differences between the situation in Afghanistan and those in the Central Asian states. Afghanistan's levels of corruption and violence are far higher, the education level is much lower, and on transport infrastructure and power capacity issues, it is starting from scratch. But just as Kabul's mining deals to date are little more than agreements on paper, the unsettled nature of the larger issues can provide an opportunity to forge a path ahead. If Afghanistan wants to achieve that positive correlation of foreign investment with local quality of life—and in doing so open the gates to foreign investment from the more risk-averse—the Kabul-based elites and their foreign miners will need to spread the wealth.

(Adapted from J. Edward Conway's article in Foreign Affairs, 2012-02-29)

NEWS

India issues compulsory licence for anti-cancer medicine

India's Patent Office issued a compulsory license on Bayer's anti-cancer medicine sorafenib tosylate on 12 March to a domestic manufacturer Natco Pharma, opening the door to a much cheaper generic version of the life-saving medicine.

Sorafenib is an anti-cancer medicine for the treatment of primary renal cell carcinoma (kidney cancer) and advanced primary liver cancer known as hepatocellular carcinoma that cannot be treated with surgery. Sorafenib can extend the life of patients in kidney cancer by 4-5 years and in liver cancer by 6-8 months.

The compulsory license (CL) is granted to Natco under Section 90 of the Indian Patents Act with 13 terms and conditions and is operational for the remainder of the term of the patent till 2020. When the patent expires in 2020, there will be no restriction on other generic production.

The patented version produced by German pharmaceutical giant Bayer costs about US$5,600 per month and under the CL, the price of the generic medicine sold by Natco shall not exceed Rs. 8,880 (about US$176) for a pack of 120 tablets, required for one month of treatment. This constitutes a price reduction of nearly 97 per cent.

Natco must maintain records including accounts of sales in a proper manner and shall report the details of sales to the Controller of Patents as well as the Licensor (Bayer) on a quarterly basis, on or before the fifteenth day of the succeeding month. Natco shall have the right to manufacture the medicine covered by the patent at its own manufacturing facility and shall not outsource the production.

The licence is non-exclusive (i.e. others may be licensed to manufacture) and non-assignable. Natco shall pay royalty to Bayer at the rate of 6% of the net sales of the drug on a quarterly basis and such payment shall be affected on or before the fifteenth day of the succeeding month.

The licence is granted solely for the purpose of making, using, offering to sell and selling the medicine covered by the patent for the purpose of treating the two types of cancer in humans within the territory of India.

Natco shall supply the medicine to at least 600 needy and deserving patients per year free of cost. It has to annually submit in the form of an affidavit the details of such patients, i.e. name, address and the name of the treating oncologist to the Office of the Controller of Patents and such report shall be submitted on or before 31 January of the year, in respect of the preceding year.

Natco shall not have the right to import the medicine. The licence does not include any right to represent publicly or privately that Natco's generic product is the same as Bayer's or that Bayer is in any way associated with Natco's product.

The generic product must be visibly distinct from Bayer's product (e.g. in colour and/or shape), the trade name must be distinct, and the packaging must be distinct. Bayer will provide no legal, regulatory, medical, technical, manufacturing, sales, marketing, or any other support of any kind to Natco.

Natco is solely and exclusively responsible for the product and for all associated product liability. Bayer, its directors, officers, employees, agents and affiliates shall not be held liable in any manner whatsoever for any action of Natco.

Bayer is free to do whatever it wishes with its residual patent rights subject to the non-exclusive licence to Natco, and is free to compete with Natco and to grant its own licences to third parties to compete with Natco.

Source: TWN Info Service on Health Issues (Mar12/03), 15.03.12.

Foreign aid use hits 3-year low in Bangladesh

Bangladesh spent only 7.3 percent of foreign aid in the first seven months of the current fiscal year, which is the lowest in the last three fiscal years. The Economic Relations Division (ERD) found a number of reasons behind the slow pace in using foreign aid, including delays in bidding process on the government side. However, the ERD said both the government agencies and the development partners were responsible for the failure, which will be discussed at a donors' meeting.

ERD Senior Secretary Iqbal Mahmud will lead the Bangladesh team at the meeting, while the development partners will be represented by World Bank Country Director Ellen Goldstein. ERD Additional Secretary Arastoo Khan is likely to make a presentation on “unblocking aid disbursement for better results”. The ERD has already prepared a report on aid disbursement and the causes of low expenditure. The average disbursement over the years hovered around 23 percent of the "opening pipeline", according to ERD statistics. Opening pipeline is the amount of unused foreign aid on the first day of a new fiscal year.

Data from last three years show that the disbursement has gradually been shrinking. In the first seven months of fiscal year 2009-10, the amount of disbursement compared to the opening pipeline was 25.18 percent. During the same period in fiscal year 2010-11, the amount was 17.87 percent.

An ERD official said that at the beginning of the current fiscal year, the opening pipeline was nearly US$14 billion, which may cross US$16 billion at the beginning of the next fiscal year.

Bangladesh receives about 70 percent of its total foreign aid from the World Bank and the Asian Development Bank (ADB). In the first seven months of the current fiscal year, disbursement to Bangladesh from the World Bank and the ADB is respectively 33.33 percent and 41.84 percent less compared to the same period last year.

The ERD official said they have reviewed a number of problematic projects and identified the causes for less disbursement. The major reason on the government side is delay in the bidding process. Despite repeated warnings, the ministries failed to reduce the delay. Another reason is lodging complaints by unsuccessful bidders against the bidding process, which causes a significant delay, the official said. Other causes identified on the government side are faulty project documents, unrealistic requisition for fund allocation, delay in land acquisition and a lack of manpower for the projects.

Source: The Daily Star, 27.03.12.

Bihar's growth story has a poor side

That the Indian state of Bihar under Nitish Kumar grew at over 10 percent between 2004-05 and 2009-10 is now well-known. But new data show that during the same period, the number of poor in the state actually grew.

During this five-year period, Bihar added 5 million people to the number of its poor, by far the largest number of any Indian state in this period. A look at Planning Commission numbers for 2009-10 and 2004-05 shows that poverty has declined at a negligible rate in Bihar, so much so that the absolute number of people living in poverty has actually increased. In 2009-10, 54.4 percent of Bihar was under the poverty line as compared to 53.5 percent in 2004-5.

This period coincides almost precisely with Nitish Kumar's first term as chief minister, raising a big question mark over the real impact of his administration and the high growth the state has seen on the lives of the common Bihari.

"Reduction of poverty is brought about by agricultural transformation, but Bihar's growth was construction-centric," says Shaibal Gupta, social scientist and founder-member secretary of the Patna-based think-tank, the Asian Development Research Institute. "Construction-based growth does not address the problems of poverty in a constructive manner," he added. However, Gupta, who has worked closely with the Nitish administration, is positive. "The government is in the process of chalking out a techno-managerial strategy to bring about a new green revolution," the social scientist said.

Bihar is one of three states—Chhattisgarh and Uttar Pradesh being the other two—in which poverty has declined, but so slowly that the absolute number of people living in poverty has actually increased in the five years. Bihar and Uttar Pradesh have between them 128 million poor people, over a third of all of India's poor, and roughly a tenth of the world's poor.

In five other states, the proportion of poor as well as the absolute number has risen. These are Delhi, Manipur, Meghalaya, Mizoram and Nagaland, with Nagaland's performance being by far the worst; the proportion of people living below the poverty line has more than doubled over five years in this tiny state, going from 8.8 percent in 2004-05 to 20.9 percent in 2009-10.

Source: The Economic Times, 20.03.12.

Targeted food subsidies would help during food price spikes

A spike in the cost of food staples like rice and wheat could push tens of millions more people into extreme poverty in South Asia but food subsidies targeted at the very poorest in the region would help them cope with still-high prices, says a new report by the Asian Development Bank (ADB).

South Asia's high population growth rates and the high number of people already living on or close to the extreme poverty line of $1.25 a day mean it is one of the most vulnerable regions in the world to food price shocks. Spending on food already accounts for half the total budget of low-income households.

"Subsidizing the cost of a basic meal for the poorest and most vulnerable in places like India means the help goes to those who need it the most without putting an excessive burden on government finances," said Hiranya Mukhopadhyay, an economist in ADB's South Asia Department and an author of the report.

The study says that a 10 percent rise in prices could push almost 30 million more Indians and nearly 4 million more Bangladeshis into extreme poverty. Pakistan is also at risk, with the same price leap causing an additional 3.5 million more people to drop to or below the US$1.25-a-day income mark.

Nepal and Sri Lanka would be less affected, although a further surge in wheat prices would be especially painful for Sri Lanka, which is completely dependent on imports of the staple and has already seen prices hit historical highs in recent years.

The report, “Food Price Escalation in South Asia – A Serious and Growing Concern”, notes that after peaks in 2008 and 2011, prices of key food commodities have eased somewhat, although the rate of decline has been slower in South Asia than the international average. In addition, the region suffers from higher overall food inflation rates than the rest of developing Asia, with food making up a bigger share of items measured by the consumer price index.

Short-term weather shocks and costlier oil account for some of the past price upside but the study says rapid population growth, changing food consumption patterns linked to higher incomes, and stagnating agricultural output are more critical factors driving rising food demand and inflation.

Although governments in the region have taken steps to counter higher prices, some measures may not be helpful to neighbouring countries. India’s temporary food export restrictions, for example, could have had adverse impact on prices in neighboring countries, as India is the world’s second largest rice producer.

In the long term, governments must step up support for agricultural research to spark another “green revolution” to lift output and help develop crops more resistant to weather extremes. More investment in infrastructure, such as irrigation systems and farm-to-market roads to improve distribution and reduce post harvest losses, is also essential. Strengthening home-grown initiatives such as the food bank established in 2008 by the South Asian Association for Regional Cooperation may also help to smooth out price volatility and improve food security in the South Asian region during times of shortage, the report says.

Source: ADB, 19.03.12.

Nepal seeks Indian investment in hydropower sector

Nepalese Prime Minister Baburam Bhattarai invited Indian businessmen to invest in this country's hydropower sector and promised to create a conducive environment for them. "Nepal government will focus its attention on developing the hydropower sector which will not only boost economic development of the country but also accelerate the overall development," Bhattarai said, inaugurating the Hydropower Summit 2012.

He said the government would focus on exploiting the huge potential of hydropower of Nepal once the six-year-long peace process concludes. Development of hydropower can overcome the current power shortage in the country, speed up tourism and agriculture development, and enhance production capability of the country through rapid industrialisation, Bhattarai pointed out. He also asked Indian investors to invest in the hydropower sector of the country, promising that a conducive environment would be created for foreign investment and all woes of the investors would be addressed.

Indian Ambassador to Nepal Jayant Prasad said that Indian investors are willing to make huge investments in Nepal's hydropower sector once favourable conditions are created.

Source: The Economic Times, 14.03.12.

India to review cotton export ban

Indian Prime Minister Manmohan Singh has ordered a review of the ban on exports of cotton amid concerns over the decision.

India banned cotton exports on 5 March to ensure supplies for domestic mills amid a jump in overseas sales. Disease has damaged crops in several states, cutting yields, and exports have been higher-than-expected because of strong demand from China, which takes about 80 percent of Indian production. India is the world's second-largest producer and exporter of cotton.

Indian textile makers have been concerned about shortages and high prices. Farm minister Sharad Pawar has already written to the prime minister seeking to lift the ban "as our production is higher this year and farmers are complaining of falling prices".

The chief minister of Gujarat, Narendra Modi, has also written to Singh asking why the decision was taken without consulting "affected" states. Gujarat is one of the leading producers of cotton.

India has already exported 8.5 million bales of 170kg (375 lbs) in the financial year ending on 31 March, reports say, up from a government estimate of 8.4 million bales made in January.

Contracts had been signed for nearly 10 million bales to be exported in the period, including those already shipped, Reuters news agency said. International cotton prices have risen since the export ban was announced.

Source: BBC News, 08.03.12.

World Bank sees progress against extreme poverty

In every region of the developing world, the percentage of people living on less than US$1.25 a day and the number of poor people declined during 2005-2008, according to estimates released by the World Bank. This across-the-board reduction over a three-year monitoring cycle marks a first since the Bank began monitoring extreme poverty.

An estimated 1.29 billion people in 2008 lived below US$1.25 a day, equivalent to 22 percent of the population of the developing world. By contrast, in 198, 1.94 billion people were living in extreme poverty. The update draws on over 850 household surveys in nearly 130 countries. 2008 is the latest date for which a global figure can be calculated. This is because, while more recent statistics for middle-income countries are available, for low-income countries newer data are either scarce or not comparable with previous estimates.

More recent post-2008 analysis reveals that, while the food, fuel and financial crises over the past four years had at times sharp negative impacts on vulnerable populations and slowed the rate of poverty reduction in some countries, global poverty overall kept falling. In fact, preliminary survey-based estimates for 2010—based on a smaller sample size than in the global update—indicate that the US$1.25 a day poverty rate had fallen to under half of its 1990 value by 2010. This would mean that the first Millennium Development Goal of halving extreme poverty from its 1990 level has been achieved before the 2015 deadline.

“The developing world as a whole has made considerable progress in fighting extreme poverty, but the 663 million people who moved above the poverty lines typical of the poorest countries are still poor by the standards of middle- and high-income countries. This bunching up just above the extreme poverty line is indicative of the vulnerability facing a great many poor people in the world. And at the current rate of progress, around 1 billion people would still live in extreme poverty in 2015.” says Martin Ravallion, director of the Bank’s Research Group and leader of the team that produced the numbers.

"Having 22 percent of people in developing countries still living on less than US$1.25 a day and 43 percent with less than US$2 a day is intolerable. We need to increase our efforts. On the policy and program side, we need to continue attacking poverty on many fronts, from creating more and better jobs, to delivering better educational and health services and basic infrastructure, to protecting the vulnerable. And on the measurement side, countries need to expand data collection and strengthen statistical capacity, particularly in low-income countries,” says Jaime Saavedra, director of the World Bank’s Poverty Reduction and Equity Group.

In South Asia, the US$1.25-a-day poverty rate fell from 61 percent to 39 percent between 1981 and 2005 and fell a further 3 percentage points between 2005 and 2008. The proportion of the population living in extreme poverty is now the lowest since 1981.

Source: World Bank, 29.02.12.

India will be world's 3rd largest economy by 2030

India will be world's third largest economy by 2030 but its energy demand will slow down to 4.5 percent, global energy giant BP PLC (one of the world's leading international oil and gas companies) said.

"By 2030 China and India will be the world's largest and third largest economies and energy consumers, jointly accounting for about 35 percent of global population, GDP and energy demand," BP's chief economist Christof Ruhl said releasing BP's Energy Outlook 2030.

There would be "no surge in energy demand as India industrialises. Demand growth slows to 4.5 percent per annum [as opposed to 5.5 percent per annum during 1999-2010) as improvements in energy efficiency partly offset the energy needs of industrialization and infrastructure expansion."

India's dependence on imports to meet its gas needs will jump to 47 percent by 2030 while the same for oil will grow to 91 per cent. The nation will be 40 percent dependent on imports to meet its coal needs.

He said India remains on a lower path of energy intensity; by 2030 it will consume only about half the energy that China consumes today, at a similar income per capita level as in China today.

Over the next 20 years China and India will together account for all the net increase in global coal demand, 94 percent of net oil demand growth, 30 percent of gas, and 48 percent of the net growth in non-fossil fuels.

Coal remains the main commercial fuel, but its share falls from 70 per cent to 55 per cent in China as a result of maturing industrial structure, and from 53 percent to 50 percent in India due to domestic resource constraints.

In India, the share of industry continues to grow, as infrastructure development catches up and manufacturing expands to absorb a growing labour force, but it never reaches the Chinese level. "India therefore remains significantly less energy intensive, with a relatively high share of the service sector in GDP."

Source: The Times of India, 27.02.12.

Bhutan seeks more tourists to boost economy

Rising incomes across Asia in the last decade have helped create millions of new tourists, eager to explore foreign places. Bhutan, an Asian nation that has seen relatively few international visitors, is hoping to dramatically boost its tourism industry and provide a vital jolt to its economy.

The kingdom, with its snow capped ranges and forested valleys, is preparing to draw more travellers interested in its Mahayana Buddhist faith and traditional artwork, distinctive architecture, forested treks and crisp clean air. With a population of just 700,000, Bhutan is braced between Asia's giants of India and China. Officials here have long sought to protect local culture from the influence of foreign visitors.

Tshering Tobgay, a resort owner in Paro Valley, 55 kilometers from Thimphu, says avoiding the excesses of mass tourism that have damaged or overdeveloped other locations in Asia remains a priority. "The government is taking a very good initiative to promote tourism in a way that we don't want a lot of people in one go. So we focus on high value and low volume. It's a very good concept - that is a small country, we don't want a lot of tourists to come in and spoil our culture and heritage likewise in other countries," said Tobgay.

The number of foreign visitors has steadily risen over the years. The kingdom drew 400 tourists when it opened its doors to visitors in 1974. Four decades later, the total has reached 60,000, and the government is expecting 100,000 visitors a year by 2013.

The country charges most foreign visitors an all-encompassing fee of about US$250 per day, which covers transportation, guides, room and board. The fee is aimed at limiting the numbers of visitors and ensuring the country receives only “high value” travellers. A third of the total fee is budgeted for Bhutan’s education and health services.

Bhutan’s main source of foreign exchange remains hydropower electricity sales to India. But Kesang Wangdi, director general of Bhutan’s Tourism Council, says tourism is set to play a key role in Bhutan’s development. “Tourism occupies one of the key priorities and attention of the government because of its potential to contribute towards a more equitable socio-economic development in terms of alleviation of poverty issues and employment generation," he said. "This potential to economically empower people at the grass roots level.”

Source: VOA News, 23.03.12.

South Asia doing worst on UN development goals

South Asian nations are making the least progress in the Asia-Pacific region on meeting key development goals, which they pledged to achieve by 2015, said a senior official from the Asian Development Bank (ADB).

Bindu Lohani, the bank's vice-president for sustainable development, was speaking at the launch of a new progress report on the Millennium Development Goals (MDGs), a framework of eight global targets established in 2000 by the United Nations (UN).

The goals include reducing child and maternal mortality, halving poverty and hunger, providing universal primary education, gender equality and halting the spread of HIV/AIDS. "If you look at the countries who are the poorest performers, there are about 17 countries who are off-track. Out of the 17, all South Asian countries are included with the exception of Sri Lanka," Lohani said. "They are slow in poverty reduction, eliminating hunger, completion of basic education, gender parity, tertiary education."

The report is the latest in a series of Asia-Pacific MDG reports produced since 2004 by the Pacific/Asian Development Bank, United Nations Development Programme (UNDP), the Economic and Social Commission for Asia and the Pacific (ESCAP).

Such South Asian nations as India, Pakistan, Nepal, Sri Lanka and Bangladesh have already achieved or are on track to eliminate gender inequality in primary and secondary education as well as halt the spread of tuberculosis, said the report. But several of these countries are unlikely to meet 2015 targets on reducing hunger, under age-five mortality and expanding access to safe drinking water and sanitation.

The report said that while the Asia-Pacific region as a whole had made "big gains" in reducing poverty and is moving fast on other goals, there are still high levels of hunger as well as child and maternal mortality. The region—which has more than 60 percent of the global population and incorporates more than 50 countries—has already met the goal of halving the number of people living on less than US$1.25 per day to 22 percent from 50 percent in 1990 due to strong economic growth.

But the region continues to lose high numbers of children before they reach the age of five and thousands of mothers are dying in child birth unnecessarily. Over three million children died before their fifth birthday in 2010, said the report.

UN officials said it is not too late to reverse trends. "We are in a race against time, with just three years left to achieve the MDGs," said Noeleen Heyzer, ESCAP executive secretary, via a video message. "On our goal of reducing child malnutrition, for instance, we need less than

2 percent annual improvement in all 14 off-track countries to meet the goal. We are so close to the finishing line—it is time for a big final push."

Source: Reuters, 19.02.12.

Pakistan textiles lifted by WTO trade waiver

It makes a change, but Pakistani textiles boss Asghar Hussain is pleased. A year ago, recession, power cuts and poor security forced him to sack most of his workers. Now he is hoping for a major improvement in garment sales after the World Trade Organization (WTO) approved unprecedented waivers allowing 75 Pakistani products duty-free access to markets in Europe for two years.

The European Union (EU) is Pakistan's largest trading partner, receiving nearly 30 percent of its exports, worth almost 3 billion euros (US$3.9 billion). "It means we should expect good gains… as Europe is a huge market for Pakistani readymade garments," said Hussain. The signs are so good that Hussain has re-hired some workers, bringing his total staff to 50. It is a fraction of the number he employed before devastating floods in 2010, but he expresses hope it could be a pointer to rosier times ahead.

The WTO passed the waivers as an unprecedented concession in order to help Pakistan recover from the floods. Yet in 2011, the business climate had already started to improve. Cotton prices rose to an all-time high of 229.67 cents a pound in March, and although they have since retreated to a modest 87 cents a pound, it is good news for Hussain, who says he exports 25 percent of his goods to Britain and Germany.

There was also a fall in religious and sectarian violence in the second half of 2011 and power cuts also diminished owing to priorities being given to industry. "The situation isn't ideal. Cotton prices have decreased again, but power supply is better and industrial peace is there," said Hussain.

Textiles dominate Pakistan's trade with the EU, accounting for more than 70 percent of its exports to the trading bloc. The products chosen for the waiver would amount to around 900 million euros in import value, about 27 percent of EU imports from Pakistan.

Pakistani textiles are currently hit with a 7.19 percent import duty in the EU. If approved, the waiver will apply until 2013-end. "Such concessions will bring life to our dying industry," said Shehzad Salim, Chairmen of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), without providing precise figures.

Mirza Ikhtiar Baig, textiles advisor to the prime minister, revised down an initial estimate that the EU package may increase exports by 400 million euros, agreeing with independent analysts who forecast a slightly lower figure. Most believe the waiver will equate to a 0.7 percent increase in Pakistan's overall exports and a 1.5 percent increase in its textile exports.

"This package would increase Pakistan's exports by US$175 million a year," said Furqan Punjani of Equity Research, a market research firm. The package includes over 30 products of non-value added textiles— items such as gray cloth, cotton yarn and fabric—23 of textile garments and the rest made up of home textiles, value-added leather, footwear, raw leather and ethanol and vegetables. "We estimate an increase of 0.7 percent in Pakistan's overall US$25 billion exports for the year while it would contribute 1.26 percent to our US$13.8 billion textile exports," said Baig.

Source: The Express Tribune, 12.02.12.

ACTIVITIES

Public-Private Dialogue on Nepal-India trade, SAFTA and SATIS

SAWTEE, in association with the Ministry of Commerce and Supplies (MoCS), Government of Nepal, and Nepal Economic, Agriculture and Trade (NEAT) Activity of USAID, organized a Public-Private Dialogue on 23rd March 2012 in Kathmandu. The objective of the event was to share the key findings of two researches—Study on Nepal-India Trade and Diagnostic Study on the South Asian Free Trade Area and the SAARC Agreement on Trade in Services (SATIS)—conducted by SAWTEE and to gather comments and suggestions from experts and stakeholders to further enrich the studies.

Training on intellectual property rights

SAWTEE, in co-operation with GIZ, organized two-day training on Intellectual Property Rights (IPRs) on 1-2 March 2012. The target audiences for the training were private sector stakeholders associated with Medicinal and Aromatic Plants (MAPs) and essential oils, and Silver Jewellery. The objective of the training was to raise awareness about IPRs to the private sector and apprise them of the relevance of IPRs to their sector. About 20 participants representing the two sectors participated in the training programme.

Training programme on international trading system

SAWTEE, in collaboration with the Ministry of Commerce and Supplies (MoCS), Government of Nepal, and USAID/NEAT Activity, organized a three-day training programme on "International Trading System" on 7-9 February 2012 in Godavari, Lalitpur. The major objectives of the training were to enhance understanding of the trainees on various issues of international trade, to enhance their capacity to effectively implement trade agreements and to equip them with knowledge and skills for trade negotiation. Twenty-nine participants representing MoCS, Ministry of Agriculture and Cooperatives, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Industry, Department of Commerce, Trade and Export Promotion Centre, Nepal Rastra Bank, Federation of Nepalese Chamber of Commerce and Industry and District Chambers participated in the training. The training was based on the training manual prepared by SAWTEE.

The three-day training programme was divided into 11 sessions that covered trends in international trade, trade theories, trading system in Nepal, export and import opportunities and challenges and transit system, world trading system and hierarchy of regulatory and institutional arrangements, multilateral trading arrangement, multilateral institutions and their involvement in trade issues, international marketing research and market access for Nepalese products, trade flow analysis and study methodology, and trade negotiations. During the training, participants were also assigned case studies that were discussed in sub-groups and later presented to the whole group.

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