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CONTENTS

OPINION IN LEAD

Regional cooperation for peace and prosperity in South Asia

The changed political landscape in the largest economy in South Asia has mandated a supposedly pro-business leader to lead India as its new Prime Minister. This change ushers rays of hope for the Indian economy hobbled by inflation, low growth and difficult business environment. With high expectations in other South Asian countries alike to turn around their sagging economies, the swearing-in ceremony of the new Prime Minister became a veritable Summit of South Asian Association for Regional Cooperation (SAARC); the beginning of the new government couldn't have been better. The move of inviting the SAARC head of states has been hailed as a small step for diplomacy but a giant leap for a shared prosperity in SAARC.

Current intra-SAARC trade presents a gloomy scenario in South Asia, one of the least economically integrated regions of the world. While South Asia accounts for 5.5 percent of India's exports, imports from the region have a share of just 0.55 percent. Importantly, India runs a huge trade surplus of US$15 billion with SAARC countries, with exports worth US$17.5 billion and imports of just US$2.5 billion. Of late, India has realised that existing asymmetry of such an extent cannot yield sustainable trade-relations with its neighbours in the long run. Accordingly, the Indian Commerce Department has plans to boost imports from SAARC nations to correct the skewed trading system so that Indian businesses can source more from SAARC countries and build better value chains within the region. Moreover, the Department has made it clear that it wants to promote value addition and manufacturing in the country by lowering tariffs on inputs amid the poor performance of India's industrial sector that has become a cause for worry for policymakers who are looking for ways to create jobs. Reportedly, there has also been interest in increasing services trade from the region; essentially tourism and medical tourism by providing multiple entry visas. This comes as a welcome move for South Asian nations looking to better integrate into the regional economy.

The new Indian Prime Minister during his meetings with visiting foreign leaders has reportedly discussed his plans for greater regional connectivity and cooperation on diverse issues, ranging from the development of hydro-electric plants in Bhutan and Nepal, wind power in Sri Lanka to oil exploration in the Maldives. As a good first step, the Indian Commerce Department has already pitched a plan for better connectivity between the Chittagong port in Bangladesh to Haldia and Vishakhapatnam ports in India to avoid the current routing of goods through Colombo and Singapore. There have also been speculations about a deal in electricity and hydrocarbons between India and Pakistan in addition to expediting the opening of banks' branches in each other's territories, and boosting infrastructure development at the border. Pakistan has already indicated its readiness to grant India non-discriminatory market access (NDMA) which is similar to the most favoured nation (MFN) status where India will be treated on an equal basis with Pakistan's other trading partners.

Moreover, there have been some notable progresses in reducing the sensitive list, addressing the non-tariff barriers and implementation of trade facilitation measures to simplify trade between South Asian nations. At present, India has granted duty-free-quota-free access to all least-developed countries (LDCs) in SAARC to its market under South Asian Free Trade Area (SAFTA). However, the LDCs face several constraints—mainly Bangladesh, Nepal and Bhutan, that mostly use land route to trade with India—in exploiting the potential of the Indian market in the form of several tariff and non-tariff barriers. The infrastructure to support cross-border trade are either inadequate or have remained poor and neglected. Additionally, there are problems with infrastructure and several supply-side constraints ranging from seamless transport to inadequate investment also within the national borders of South Asian LDCs. Thus, India could extend both technical and financial support for improved trade in the region through increased investment and support in trade facilitation measures.

The hope of shared prosperity comes against the backdrop of successive Indian governments failing to play the role of *de facto* hegemon in the region. Moreover, India's relations with neighbours have soured in recent years that have allowed China to fill the gap. Therefore, it is imperative for the new Indian government to not only build trust with its neighbours but also define a broad vision for South Asian integration; the current government with absolute majority enjoys the comfort of pushing through radical policies and reforms at a faster pace.

This is to wish for a peaceful and prosperous South Asia, with India as its main driver of growth. The signal so far from the incumbent Government in New Delhi is clear and loud. All eyes are now set on the next SAARC summit in Nepal likely to take place in October-November which can become a landmark by inking some game-changing proposals for South Asia.

ANALYSIS

Climate change and its predicted impacts on South Asia

According to the United Nations Intergovernmental Panel on Climate Change (IPCC), the longer we wait to tackle the issue of climate change, the more expensive and technologically challenging it will be to limit global warming to 2^{o}C. The second of a four part report of the IPCC titled *Climate Change 2014: Impacts, Adaptation and Vulnerability* presents a bleak picture of climate change impacts, and calls for both mitigation and adaptation measures to address them.

The report puts forth strong evidence that countries in South Asia will be particularly vulnerable to impacts of climate change that will result in alteration of ecosystems, disruption of food production and water supply, damage to infrastructure and settlements, morbidity and mortality, and consequences for mental health and well-being. Most countries in the region are predicted to face not only more extreme events but also severe stress on drinking water and food grains, all of which pose an immediate concern as South Asia already has one of the highest concentrations of poor and undernourished population in the world. Additionally, with changing climate, many regions in South Asia are expected to see a decline in food productivity. Thus, in a region where more than 70 percent of the population are dependent on agriculture for daily subsistence, climate change is most likely to have detrimental effects on livelihood of its people and the regional economy.

Countries like India, Bangladesh and Pakistan will see a negative impact on aggregate wheat yields, impacting the overall food security in the region, report says. Similarly, higher temperature will shorten growing period of rice and thus is expected to decrease its yields across the region. In fact, with a temperature rise of 1.5^{o}C and 2 mm increase in precipitation, India could see a decline in rice yields by 3 to 15 percent. The Indian part of the Indo-Gangetic Plains may even see a decrease in wheat production by up to 50 percent by 2100. Moreover, rising sea levels will further threaten rice cultivation and affect food security of the region. Since rice and wheat are among the top earning crops in the region, their low yields can significantly have an adverse effect on the food production in the region and increase the cases of famine and food scarcity in different parts of South Asia.

Due to sea-level rise, coastal cities Mumbai and Kolkata in India and Dhaka in Bangladesh, will see increase in riverine, coastal and urban flooding leading to widespread damage to infrastructure, livelihoods and settlements. Since urban areas of these coastal cities are home to more than 46 million people, the residents will face the greatest risk of flood-related damage over the next century. It is estimated that a one meter rise in sea level would inundate over 10 percent (17,000 sq. km) of land in Bangladesh, and pose a serious threat to agriculture. Additionally, flooding caused by rise in sea level combined with increased temperature and decreased river flow in some areas will likely compound existing threats to fisheries in the region.

Meanwhile, the Himalayan glaciers are retreating at an alarming rate and many small glaciers (<0.2 sq. km) have already disappeared. Currently, the Himalayan glaciers feed up to 85 percent of water into great rivers of Northern Indian Plain, mainly the Indus, Ganges, and Brahmaputra. But with the current trend of climate change, this supply could be reduced to about 30 percent of its current contribution over the next 50 years. Considering that these three river basins are the most densely populated river basins in the world which support an estimated 700 million people, any decrease in river-water level will threaten the livelihood and food security of millions. In fact, the IPCC report highlights water scarcity as an immediate concern for the region. Decline in rainfall and river run-off along with droughts will affect millions of people and lead to increased tension due to water scarcity in some parts of South Asia. Since majority of the population depend on agriculture for daily subsistence, water shortages will lead to unsustainable consumption of ground water for irrigation, hence exacerbating the problem of water security. Moreover, existing water resource-related political tensions between India and its three neighbouring countries: Bangladesh, Nepal and Pakistan make water resources a valuable and contentious commodity in the region.

Clearly, there is no doubt that South Asia will be more susceptible to climate extremes in the coming years. Within the region, those that are already living on the margin of societies are likely to suffer the most due to additional pressure on available natural resources. Hence, there is a serious need for immediate national action plans, along with better trans-boundary cooperation within the region to tackle the inevitable impacts of climate change. Rigorous research and regional discussions on climate change is especially critical for South Asia since the region is most vulnerable to climate change. Given SAARC has thus far failed to address the issues related to food security and climate change in the region, there is a need to push these issues in the forefront in the upcoming SAARC summit to be held in Nepal.

NEWS

Pakistan likely to expand FTA trade with Sri Lanka

Pakistan—Sri Lanka's second largest trade partner in the region—has indicated interest in expanding its free trade agreement (FTA) with the island, creating growth in bilateral trade, which already exceeds the US$460 million mark, according to Sri Lanka's trade ministry.

In a statement, Sri Lanka's trade ministry said that Pakistan's High Commissioner Qasim Qureshi had indicated that Pakistan looks forward to expand FTA trade by reducing sensitive items, thereby creating more opportunities for Lankan exporters. Meanwhile, Sri Lanka's trade minister Rishad Bathiudeen pointed out that a range of new Lankan products have penetrated into the Pakistan market after the implementation of the Pakistan Sri Lanka Free Trade Agreement (PSFTA). Among them are fresh pineapple, Medium-density fibreboard (MDF) boards, sports goods, tamarind, edible oil, porcelain tableware and kitchenware, ceramic tiles, furniture, electrical switches and sockets and herbal cosmetic products.

Sri Lanka was Pakistan's first-ever international FTA partner when the PSFTA came into force in June 2005. According to Sri Lanka's Department of Commerce, the value of total trade between the two countries has increased by 330 percent during the last decade from US$107.1 million in 2003 to US$462.1 million in 2013. Sri Lanka's main exports to Pakistan include natural rubber, copra, tea, coconut, spices and betel leaves while main imports are cement, cotton, wheat, cane/ beet sugar, medicaments and iron and steel.

Source: http://www.dailytimes.com.pk, 29.05.2014.

EU ban on import of Indian mangoes casts shadow on mango producers

The ongoing ban on the import of Indian mango by European Union (EU) countries have cast its dark shadow on the mango sector in West Bengal, one of the largest mango producing belts in India, as the region is entering the peak season for the perishable fruit harvesting. Though officially imposed only recently, the ground level effect has started surfacing with the beginning of harvesting of mangoes of which India is the world's largest producer.

The Indian mango sector has always remained dependent on the world market to fetch proper price for premium varieties. Now, "After the ban, we have two options. One: accept a drastic price fall by releasing the entire stock in domestic market. Or two: allow the stock to go waste. Both are equally unacceptable," said Mr. U. Saha, General Secretary, West Bengal Exporters Coordination Committee.

The EU imposed the ban on Indian mangoes after it found flies in a significantly high number of fruits. Last year, India's mango export was worth US$48 million and the EU accounted for 14 percent of this market. Though the EU is not a big market for exporters from West Bengal, the ban may cast a shadow in imports by other countries, mainly Bangladesh—the largest importer of West Bengal's mangoes—which imports the fruit to re-export after processing to different countries in the world market including the EU countries.

At this juncture, exporters are seeking support from the Commerce Ministry to take up the issue at a diplomatic level to find an acceptable solution. Meanwhile, after writing to EU to withdraw the ban, now the government is in the process to seek a solution to this at the World Trade Organisation platform.

Source: http://articles.economictimes.indiatimes.com, 29.05.2014.

Unilateral entry to Bangladeshi vehicles to ease cross-border trade

India could consider unilaterally allowing vehicles from Bangladesh to ply within the country in a bid to facilitate cross-border trade by reducing transaction costs. The commerce department plans to push on priority under the new government a cabinet note in this regard that seeks to allow entry of motor vehicles from Bangladesh for at least five years and thereafter depending on the response of the neighbouring country.

The ministry of road transport and highways, which will be in charge of framing the rules and protocol, has approved the proposal only conditionally, though, saying there must be clarity on whether unilateral access would translate into a bilateral agreement.

India and Bangladesh had earlier come close to signing a bilateral Motor Vehicles Agreement (MVA), which would have enabled vehicles from both sides to enter and ply within the other's territory. However, Bangladesh has not responded to the draft MVA till date, prompting the Indian side to act on it unilaterally.

At present, cargo vehicles from both sides are required to unload at the check posts. The goods are then transferred and carried into the respective countries. Combined with the rapid growth in bilateral trade, which has crossed US$5billion, the requirement has led to massive congestion at the border, especially at the land custom stations and integrated check posts. This, in turn, has led to a significant increase in trade transaction and freight costs, impacting both exporters and importers.

This is not the first time India could propose unilateral support to a lesser developed country. Under the SAFTA agreement, India had reduced its sensitive list from 868 to 614 products, on which tariff concessions will not apply to Bangladesh. India provides a duty-free quota free access to all items barring just 25 products.

Source: http://auto.economictimes.indiatimes.com, 26.05.2014.

SPS issues: food security authority to be set up

The federal government of Pakistan has decided to establish National Food Safety, Animal and Plant Health Regulatory Authority to oversee food safety, Sanitary and Phytosanitory (SPS) issues of agriculture products. The sources maintained that the draft bill was submitted to the federal cabinet in its meeting on 5 May 2014 but was not approved by the cabinet. However, the cabinet directed the Ministry of National Food Security and Research to resubmit the draft bill in consultation with the Science and Technology, and Commerce Divisions.

According to the sources, a joint study was undertaken in 2005 by the World Bank and United Nations Industrial Development Organisation (UNIDO) on Pakistan's agro-based imports and exports in relation to SPS compliance. The report highlighted that Pakistan lacks a coherent strategy for quality and SPS management in relation to its trade. It further exposed the institutional weakness of the existing SPS control system and the lack of capacity of the federal government departments engaged in certification of animal and plant health at the time of export. It was, thus, recommended to assess the need for the establishment of an authority to oversee food safety and SPS issues in the country.

Source: www.brecorder.com, 25.05.2014.

Green Climate Fund Opens for Business

The 24-member board of the UN's flagship Green Climate Fund (GCF) reached an agreement on 21 May 2014 on eight "essential requirements" needed to kick-start an international climate finance mobilisation, management, and disbursement process. Meeting over four days in the South Korean city of Songdo, board members took decisions on various operational building blocks such as the GCF's structure, rules governing its financial risk management and investment frameworks, and the procedures for accrediting bodies that will eventually implement projects in target countries.

The move concludes unfinished work from the board's previous meeting in Bali, Indonesia in February, which did see agreement on the balance of activities between climate adaptation and mitigation, gender mainstreaming, and the establishment of a panel of civil society and bank experts to look at private sector activity across the GCF.

Established at an international climate meet in Cancun, Mexico in 2010, the GCF is geared toward helping developed countries meet a 2009 pledge to set aside US$100 billion per year by 2020, using a mixture of public and private finance. The extent of the latter's involvement has proven to be a divisive topic between the global North and South.

The money would be earmarked to help promote a paradigm shift towards low-emissions development and investment pathways, as well as help poor countries adapt to the impacts of climate change. The body is designed to be an operating arm of the UN Framework Convention on Climate Change (UNFCCC) financial mechanism, accountable to participating parties.

The GCF has been pitted as a key element in reaching an international climate deal on schedule next year in Paris, particularly in relation to the thorny issue of climate finance. However, developing countries have long argued that they will not sign an emissions-cutting agreement without manifest financial support.

Source: www.ictsd.org, 22.05.2014.

India needs to invest US$834 billion for lower carbon emissions by 2030

India will have to invest US$834 billion in the two decades ending 2030 to reduce its emission intensity to gross domestic product by 42 percent over 2007 levels, according to a Planning Commission expert group.

According to the final report of the expert group on low carbon strategies for inclusive growth, the massive change in the energy mix by 2030 will result in lower demand of coal at 1,278 million tonnes from estimated 1,568 million tonnes. Moreover, the measures would help in reducing demand for crude oil to 330 million tonnes from an estimated 406 million tonnes by 2030. However, it says that the low carbon emission strategy would increase the consumption of gas in energy mix; under the low carbon energy mix, the installed capacities of wind and solar power need to increase to 118 GW and 110 GW respectively by 2030.The report also highlights the importance of more efficient coal power plants in future and use of renewable energy resources. It suggested that the aim should be that at least one third of power generation by 2030 be fossil-fuel free. It also suggested that Government of India needs to allocate more resources to the "Green India Mission" to enhance the stock of growing forests, and to improve provisioning of ecosystem goods and services in the country.

But according to Kirit Parikh, a former member of the Planning Commission (Energy) and head of the expert group, the huge investments in low carbon strategy would have little impact on economic growth. He opined that the Indian economy is expected to be growing at a rate of 7.03 percent per annum till 2030 and with the investment of US$834 billion over two decades on low carbon strategy, it would growth at 6.87 percent every year.

Source: http://articles.economictimes.indiatimes.com, 19.05.2014.

Nepal, Bhutan revise air service agreement

On 17 May 2014, Nepal and Bhutan revised the bilateral air services agreement (ASA), increasing the flights between the two countries by three folds, with an immediate effect. According to the Nepal Ministry of Culture, Tourism and Civil Aviation, the two countries agreed to increase the passenger flight frequency to 21 per week from the previously agreed seven weekly flights as per the ASA signed in February 2004.

The revised ASA has accepted the multiple designation system, under which there won't be any restriction on any carrier of the two countries to fly to each other's destinations. Earlier, the single designation system had permitted only Bhutan's national flag carrier—Druk Air—to operate flights to Kathmandu's Tribhuvan International Airport, while Nepali private carrier—Buddha Air—was enjoying the same rights in Bhutan.

"The agreement has also eliminated royalties being charged on passengers and cargo along the Kathmandu-Delhi sector for the airlines designated by Bhutan," Suresh Acharya, joint-secretary at the ministry, said over the phone from Bhutan.

Nepal government has revised ASAs with several countries in recent months; on 24 February, the government signed a revised ASA with China permitting the operation of 56 flights per week with any type of aircraft. Similarly on 16 April 2013, Nepal and the United Arab Emirates (UAE) signed an enhanced ASA permitting operation of 70 flights per week with any type of aircraft.

Nepal has signed bilateral ASAs with 36 countries since 1963. This provides 5.7 million seats per annum to and from Nepal. However, less than 40 percent of this capacity is being utilized. Presently, 27 international airlines are operating flights from Kathmandu to 22 cities in Asia and Europe.

Source: www.ekantipur.com, 18.05.2014.

Human Development Report calls for investment in agriculture, youths

Jointly developed by the National Planning Commission and the United Nations Development Program (UNDP), the Nepal Human Development Report 2014 entitled "Beyond Geography: Unlocking Human Potential" was released on 15 May 2014.

The report argues that Nepal´s potentials are hindered not just by persisting geographical inequalities but also by inequalities based on social groups, gender and household well-being. Additionally, the annual report calls for enhancing skills of the population while bridging the regional and group divide in human potential and investing in youth and agriculture. Moreover, the report rightly recommends strengthening inclusive growth and looking into innovation in development models for problems that defy general economics.

As per the report, Kathmandu is ranked first in the Human Development Index while Bajura of the far-west falls in the bottom in the ranking. The report states that knowledge, skills and infrastructure, including agricultural extension services, are key to augmenting labour productivity from a human development perspective. It further points out that the very low aggregate labour productivity seen in the Hills and Mountains regions of Nepal points to the need for area-specific policies linked to, among other goals, the development of human capital and physical infrastructure.

Despite the long-term implications of labour migration, it is likely to remain a dominant feature of the Nepali economy for at least another decade or more, attracting a significant proportion of youth, adds the report.

Source: http://www.myrepublica.com, 15.05.2014.

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