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CONTENTS

OPINION IN LEAD

Aid for Trade: A success, though works remain

The Fourth Global Review of Aid for Trade (AFT) initiative of the World Trade Organization (WTO) took place on 18-19 July in Geneva. The global review—amid the delegates representing a wide section of stakeholders ranging from civil society members to the private sector representatives—aimed at evaluating the six-year-old initiative's progress in helping developing countries build their trade capacity. The gathering, mainly focusing on the successes and shortcomings of the initiative, concluded that although the financial commitments for AFT initiative have skyrocketed in recent years, there is a need to strengthen the monitoring and evaluation (M&E) of on the ground impacts.

Definitely AFT has witnessed encouraging results in recent years. A number of research has shown a positive link between the AFT initiative and trade performance. AFT has been credited as being successful in integrating countries—especially the ones in lower income strata in Asia, Latin America and Africa—into the global supply or value chains. According to a recent report jointly prepared by the WTO and the Organization for Economic Co-operation and Development (OECD), the financial commitments to the initiative were US$40 billion in 2009, marking a 60 percent increase from the 2002-2005 baseline period. The report also argues that improvements were seen in developing countries' participation in negotiations, quicker customs clearance, increased standards compliance, and export growth, among other areas. Furthermore, the report mentions that disbursements have grown 11 to 12 percent annually since 2006, and had reached US$29 billion in 2009.

However, there have been frequent demands from the developing countries to closely match the AFT disbursements with commitments. Insufficient funding has been viewed as a great threat in furthering the progresses made so far under the initiative, and moreover to the sustainability of the AFT projects itself. In addition, there have been voices to improve aid effectiveness through better result-based aid management, among other things. The AFT initiative has also been criticised for its shortcomings in M&E, which has been suggested to be made more pragmatic and specific. Too much dependence on the case stories to applaud the achievements of the initiative has been suggested as a risky approach in that such case stories can me biased and misleading as it might be explaining just a success part of the overall story. Likewise, the need for private sector involvement is often stressed, mainly for generating investments for trade. Meanwhile, there was an active private sector participation during the Fourth Global Review.

Notwithstanding these problems within the AFT initiative, it is encouraging that there has been considerable progress towards mainstreaming trade facilitation in the overall development agenda of many countries, least-developed countries (LDCs) and non-LDCs alike. There has been growing understanding that AFT can support broader policy objectives like poverty alleviation, social welfare, food security, gender empowerment, climate change adaptation, energy generation and sustainable development. The subject of trade facilitation, which is an integral part of the AFT initiative, has also gathered substantial attention, with customs management, transportation infrastructure and logistics all cited as areas where developing countries need help to access markets. Another important area under the ambit of AFT is the topic of food security, especially the issue of how improved trade capacity could help with the problem of high and volatile food prices. AFT is also seen as having the potential to help the stakeholders overcome supply side challenges in the local agricultural production chain by enhancing storage capacity and transportation infrastructure, among others.

Given these opportunities and challenges, it is strongly desirable that the shortcomings be taken care of, especially when the "results" are vital in order to "sustain" political interest and financial resources at times of inevitable growing budgetary constraints in many traditional donors.

Last but not the least, the struggles facing the Doha trade talks was the backdrop to the AFT discussions during the global review, with various delegations calling for the successful conclusion of the negotiations, with some emphasising the need for an LDC-focused package. If the developing countries are to fully benefit from the AFT initiative through increased gains from international trade, positive outcome to the Doha Development Agenda during the upcoming Ministerial Conference in Bali is a must.

Based on Bridges Weekly: http://ictsd.org, 20.07.2013.

ANALYSIS

Bali in jeopardy: The issue of food subsidy

In a most recent attempt to tackling widespread malnutrition, India has approved a new food subsidy scheme set to provide 67 percent of the population with a legal right to obtain cheap food grains from the “fair price” shops. According to UN agencies, about 18 percent of India’s 1.3 billion population is malnourished.

The National Food Security ordinance aims to provide five kilograms of subsidised food grains per person per month for up to three-quarters of the rural population, and up to half of the urban population. But critics warn that much of the aid will likely be wasted if relied on the country’s “leaky” public distribution system to channel aid to beneficiaries. Note that the parliament is yet to sign off on the scheme for the food subsidy programme.

More importantly, the approval of this food subsidy scheme has fuelled the existing debate on the G-33 food security proposal, which is spearheaded by India to amend the WTO’s Agreement on Agriculture to allow for spending on public stockholding and food aid beyond stipulated subsidy limits. In fact, India has warned that if the G-33 proposal on food security does not move forward, the trade facilitation agreement cannot be reached. ‘Our proposal serves the dual purpose of buying from resource poor farmers and providing food security to our people. Since the United States (US) and the European Union (EU) are continuing to give out billions in the form of farm subsidies that they had committed to do away with in the Doha round, our demand is totally justified’, says Rajiv Kher, India’s Chief Negotiator at the WTO.

But many argue that the ordinance may be in violation of the global trading rules on agriculture under the WTO if an attempt is made to export the subsidised food grain through indirect channels. Though the ordinance is aimed at giving subsidies to people living below the poverty line i.e. consumer not farmers, due to the absence of efficient mechanisms to monitor any leakage, many fear that the subsidy is equivalent to “trade distorting subsidy” or “amber box” subsidies which are prohibited under the WTO norms.

In their defence, Indian experts argue that the WTO should provide flexibility and policy space for developing countries for addressing food security needs of their population in a manner that is consistent with their development priorities. Here, it is important to note that there exists an inherent asymmetry in the WTO Agreement on Agriculture whereby countries can provide unlimited amount of direct food aid to those in need. Consequently, developed countries like the US have resorted to direct food aid to their population and provided subsidies to the tune of US$94 billion in 2011. However, developing countries on the other hand are unable to use the provision on direct food aid, mainly due to financial restraints. Instead, developing countries acquire and hold stock of food products and subsequently release them in subsidised prices when needed.

Given that the issue of agricultural subsidies is a part of the Doha Round which started in 2001, the current text on agriculture subsidies is only a draft text since the Doha Round is yet to be concluded. The Agriculture text states: ‘acquisition of stocks of foodstuffs by developing country members with the objective of supporting low-income or resource-poor producers shall not be required to be accounted for in the Aggregate Measurement of Support’. In the meantime, India’s agriculture subsidies has been rising and the implementation of the National Food Security ordinance is only going to raise India’s subsidy level even higher and could cross the de minimis levels; current threshold is 10 percent of the total value of output in agriculture can be given a subsidy. Additionally, since 99 percent of farmers in India fall under the "low-income or resource-poor" category, the G-33 proposal on food security is extremely important for India and the country is thus strongly pushing for an agreement on the G-33 proposal in the upcoming Bali Ministerial in December.

Since the issues pertaining to trade facilitation is to take centre stage at the Bali Ministerial, many WTO members are highly anticipating the delivery of the much awaited agreement on trade facilitation. But the recent National Food Security ordinance in India has intensified the debate over the issue of agricultural subsidies, and threatens to compromise the success of the Bali Ministerial. On the one hand, India is unwilling to participate in the negotiations for a multilateral trade facilitation agreement without the approval of the G-33 proposal, while on the other hand the US strongly opposes the G-33 proposal on food security. To avoid a possible deadlock in the Bali negotiation, both India and the US should be flexible and realise the global importance of a successful delivery of a multilateral trade facilitation agreement. In the absence of flexibility and the failure to recognise the global implications of their dispute, the delivery of the much needed multilateral trade facilitation agreement will unfortunately remain a distant reality.

Based on *Bridges Weekly Trade News Digest, Vol 17, No 25, 11.-7.2013; and Basu, Nayanima. 2013. "Food Security Ordinance may invoke WTO compliance issues." Business Standard, 25.07.2013. www.business-standard.com.*

NEWS

SAFTA states to cut sensitive lists

South Asian countries on 30 July agreed to reduce the number of exportable items on their sensitive lists. However, they did not agree on what and how many items are to be delisted. Sensitive list is a list of products with every member country which does not include tariff concession under the South Asian Free Trade Agreement (SAFTA). The list is adopted to protect vital domestic industries or to maintain important sources of customs revenue. However, overuse of such list can make goods more expensive for consumers and may act as a trade barrier.

During the meeting of the Committee of Experts on Reduction of the Sensitive Lists, representatives from the SAFTA member states acknowledged that the lengthy sensitive lists have hindered intra-regional trade to a larger extent and agreed to reduce the list. All the member countries have been asked to submit their revised sensitive lists by the end of January 2014 at the SAARC Secretariat. The meeting has also agreed on the modalities that could be adopted while revising the lists. Jib Raj Koirala, joint secretary at Nepal's Ministry of Commerce and Supplies (MoCS), said modalities including nature, trend and volume of trade, reciprocal approach and bilateral agreements, and the margin of preferences, among others, could be followed while reducing the items. Rameshwor Pokharel, under secretary at the ministry, said the member countries could also recommend other alternative modalities to be followed while revising the sensitive lists by the end of August to the SAARC Secretariat. "If a country is not in a position to reduce its list, it can continue the existing list, but will have to provide an explanation on their inability to reduce the list," he said.

Once the revised lists are forwarded to the SAARC Secretariat, they will be tabled at the meeting of the SAARC Ministerial Council and SAARC Expert Group to be held in Sri Lanka from 21-23 August for endorsement.

Source: http://www.ekantipur.com, 31.07.2013.

Nepal's carpet exporters risk losing US, European markets

Nepali carpet producers and exporters say they are facing tough time retaining their traditional European and US markets as international buyers are not willing to buy carpets at the increased rates. Nepali carpet producers are preparing to raise the price of hand-knotted Nepali carpets due to hefty rise in remuneration of workers. They say cost of production has increased significantly after remuneration of workers was increased in line with the government fixed wage. Though the fresh remuneration hike was enforced in mid-June, carpet entrepreneurs implemented it only from mid-August.

Though there have been some improvements in the demands for Nepali carpets from Europe and the US, carpet producers and exporters said they are not in a position to supply carpets at the price agreed earlier with overseas buyers.

The government increased minimum monthly pay of workers to Rs 8,000, including Rs 2,900 in allowance, and daily wage at Rs 318. Earlier, workers were drawing minimum salary of Rs 6,200 per month and Rs 231 per day. With the fresh hike in remuneration, wage per square feet of carpet has gone to Rs 1,600 from Rs 1,200. Four years ago, the wage per square feet was less than Rs 800. Over the past four years, prices of raw materials, mainly wool, have increased considerably. According to entrepreneurs, overall cost of production has increased by more than 40 percent during the four-year period. Currently, the average export price of Nepali carpets stand at around Rs 8,500 to Rs 9,000 per square feet.

Nepali carpet entrepreneurs are sending formal letters to the western buyers, informing them the reasons behind the hike in prices of Nepali carpets. Meanwhile, Nepal´s carpet exports dropped by 13 percent during the first eleven months of 2012/13, compared to figures of the same period last year. According to Trade and Export Promotion Center (TEPC), Nepal exported 586,934 square feet of carpet worth Rs 5.1 billion during the review period, but had exported 662,732 square feet of carpet worth Rs 5.86 billion in the same period of 2011/12.

Source: http://www.ekantipur.com, 31.07.2013.

Lacklustre performance of NTIS products

Products identified by the Nepal Trade Integration Strategy (NTIS) -2010 as having a comparative advantage were supposed to lead the country's exports, but their performance has been dismal. Of the 13 NTIS-identified products, the exports of woollen products, silver jewellery, honey, handmade paper, pashmina products, essential oils and noodles declined in the first 11 months of the fiscal year; while the exports of the remaining—lentils, cardamom, tea, ginger, medicinal herbs and iron and steel products—increased in the same period. Collectively, exports of these 13 items rose 9 percent to Rs 24.12 billion in the review period. These products accounted for 34.8 percent of the country's total exports. However, with the trade deficit ballooning to Rs 480.33 billion, the contribution of these products are too low to reduce the deficit.

Since the export sector's performance has been pathetic, the government has kept the exports target unchanged for the proposed 13th periodic plan. The government has targeted to increase the country's exports to Rs 100 billion by the end of the plan period, the same as the 12th plan. Although the government has been launching programmes to promote essential oils and pashmina in the international market, export of these items declined significantly. Exports of essential oils declined 14 percent to Rs 62.6 million, while pashmina exports came down by 6.8 percent to Rs 1.73 billion during the review period. Exports of natural honey dropped by a staggering 99.7 percent to Rs 5,000 from last year's Rs 1.8 million. Jib Raj Koirala, joint secretary at MoCS said the lack of an international-standard laboratory to certify products has been the major reason for the severe downfall in the export of honey.

Exports of noodles declined 7.2 percent to Rs 520 million, while handmade papers slumped 11.3 percent to Rs 467 million. Exports of silver jewellery, pashmina and wool products declined by 39.3 percent (Rs 130 million), 6.8 percent (Rs 1.73 million) and 16 percent (Rs 361 million) respectively. Among the products whose exports rose, ginger witnessed the highest export growth of 208 percent to Rs 1.18 billion, followed by tea exports worth Rs 1.76 billion. Similarly, iron and steel exports rose to Rs 10.72 billion.

According to Koirala, the government's recent policy to offer ownership of NTIS products to the concerned ministries would help improve the situation. In fact, the government has doubled the budget for the promotion of NTIS products.

Source: http://www.ekantipur.com, 28.07.2013.

Bangladesh passes revised labour law

Bangladesh approved a highly-anticipated reform to its national labour law on 15 July, as part of a broader effort toward averting future disasters such as the factory collapse in April that killed over 1,100 people. Under the labour law revisions agreed on 15 July in Dhaka, workers will not need approval from factory owners in order to form unions. Over 80 other sections of the law have also been revised in order to reflect the results of consultations held with factory owners and workers, retailers, development partners, and the International Labour Organization (ILO).

The announcement of the labour law changes comes just one week after the governments of the EU and Bangladesh, with the ILO's support, agreed to a "sustainability compact" aimed at improving the country's working conditions. One of Dhaka's main commitments under the compact was the swift passage of labour law reform. The EU had confirmed at the time that it would be keeping Bangladesh in its Everything But Arms (EBA) trade preference scheme—which grants LDCs duty-free and quota-free (DFQF) access to the EU market for all goods exports, with the exception of arms and ammunition—as Dhaka works to implement its various commitments in the sustainability compact. However, Brussels has left open the possibility of reconsidering the Asian country's participation in EBA, should it find progress in implementing its sustainability commitments to be too slow.

Last month, US suspended Bangladesh from its own trade preference scheme. But the US programme covered a much smaller percentage of Bangladeshi exports and did not include textiles.

The April tragedy has also sparked calls for those foreign companies that source their textile products from Bangladesh to take actions of their own toward fostering better conditions for workers. In response, a group of over 70 companies—most of them European, and including garment giants like Inditex and H&M—signed onto a binding safety deal with Switzerland-based unions UNI Global and IndustriALL. Meanwhile, a group of 17 North American companies, including the GAP, Macy's, Sears, and JC Penney have decided to instead sign a non-binding agreement of their own, which would be in place for a period of five years.

Activists have urged the participating North American retailers to sign the alternative European accord in order to tackle the safety manufacturing issues in a more comprehensive and binding way. They have also noted that boycotting Bangladesh products will only harm the workers that need the most help, and are instead encouraging consumers to make ethical choices and select products from among the companies who have committed to the binding accords.

Source: http://www.ictsd.org, 18.07.2013.

World Bank's Rs 8.67 billion support to facilitate Nepal's foreign trade

The World Bank has agreed to extend grant and loan assistance worth US$ 99 million (Rs 8.67 billion) to Nepal for the implementation of a crucial trade facilitation project to promote Nepal's foreign trade. Out of the total assistance to be provided to execute the Nepal-India Regional Trade and Transport Project (NIRTTP), Nepal will receive US$27 million and US$72 million in grant and loans respectively.

According to a statement issued by the Ministry of Finance (MoF), the project is aimed at decreasing the transport time and logistics costs for trade between Nepal and India, and for facilitating transit trade along the Kathmandu-Kolkata corridor to reduce key infrastructure bottlenecks in Nepal, and to support the adoption of modern approaches to border management. Modernisation of transport and transit arrangements between Nepal and India, strengthening trade related institutional capacity in Nepal and improving selected trade related infrastructure are among the programs to be covered by the project.

The project components consist of upgrading and expanding the Narayanghat-Mugling road section to Asian Highway Standard, improvement of the Birgunj-Kathmandu corridor, construction of a Container Freight Station or an Inland Clearance Depot (ICD) in the Kathmandu Valley, enhancing capability of trade related laboratories and facilitation of arrangements for mutual recognition of quality certificates.

Speaking on the occasion, Madhu Kumar Marasini, joint-secretary at the MoF said the project would create an environment to expand regional trade enhancing transport, trade and transit facilities, which would be most beneficial for Nepal.

The World Bank has already reported a record high disbursement and financial support commitments to Nepal during the current fiscal year ending mid-July. Two more projects to be signed soon between Nepal and the World Bank are additional financing for the Nepal-India Electricity Trade Project worth US$39 million and the US$30 million Financial Sector Stabilisation Development Policy Credit.

Total disbursement by the World Bank for Nepal during Fiscal Year 2012/13 reached US$180 million, a 25 percent disbursement ratio exceeding target and about US$416 million in new commitments with seven operations approved.

Source: http://www.myrepublica.com, 11.07.2013.

ACTIVITIES

Regional Consultation on food-related legislation in South Asia

SAWTEE, in partnership with Oxfam and its global campaign GROW, organised a regional consultation on “Food-related Legislation in South Asia”as a part of its ongoing regional programme - “Research, advocacy and capacity building on food-related legislation in South Asia”. The major objective of the consultation was to disseminate the findings of the country specific food-related legislation studies undertaken under the programme in five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka.

During the two-day meeting, almost 50 representatives from Bangladesh, India, Nepal, Pakistan, and Sri Lanka discussed findings of the Regional Synthesis Report on food-related legislation in each of the countries. Four categories of food insecurity factors were discussed including production/productivity, consumption/distribution, environment, and cooperation, along with solutions that are in line with national, regional, and international goals. Food security experts and policymakers from the five South Asian countries urged their governments to immediately enact a specialised and comprehensive law on rights to food in order to battle the region’s prevailing and chronic hunger, the reason why more than 304million people going to bed hungry every day.

Dissemination workshop on practical approaches to supporting competitiveness in a carbon constrained world

SAWTEE, in collaboration with the Overseas Development Institute (ODI), the United Kingdom,organised a dissemination workshop on 26 July 2013, in Kathmandu to validate their joint research study titled "Practical Approaches to Supporting Competitiveness of Lower/Middle Income Countries in a Carbon Constrained World: A Case Study of Nepal in the Context of Climate Change Mitigation".The goal of the study was to promote better economic policymaking that responds to the new opportunities and threats that will arise in a low-carbon global economy along with the promotion of green growth and jobs.

Leading experts, policymakers and scholars from the energy, forestry and tourism sectors—all three important to Nepal from the perspective of low carbon competitiveness perspective—discussed and explored ways to low carbon growth vis-a-vis these three sectors in Nepal.

A cross-section of about 40 different stakeholders participated and provided their valuable comments and inputs on the report.

Panel discussion on Aid for Trade

SAWTEE and Consumer Unity and Trust Society (CUTS) International jointly organised a panel discussion on "Aid for Trade: Regional/Global Value Chains and the Role of Trilateral Development Cooperation" at the sidelines of the Fourth Global Review on Aid for Trade taking place at the WTO Secretariat in Geneva from 8 to 10 July 2013.

Participants were of the view that value chains are one of the key architectures for facilitating the integration of developing countries and LDCs into the increasingly complicated global economy. A necessary condition for successfully accomplishing "trade in tasks" is to coordinate all the stakeholders including traditional donors, emerging donors, host countries and above all the private sector. While domestic policy issues are critical for facilitating the integration of firms in developing regions, the role of aid for trade, in particular trilateral development cooperation, is equally important.A total of 30 participants representing government, inter-governmental organisations, private sector and civil society organisations participated at the panel discussion.

Training programme for economic journalists from South Asian countries

A two-day regional training programme for economic journalists from South Asian countries was jointly organised by SAWTEE and Institute of Policy Studies of Sri Lanka (IPS), Colombo, in Marawila, Sri Lanka on 4-5 July 2013. The broad theme of the training programme was "Trade, Climate Change and Food Security".

During the two-day event, experts from different South Asian countries interacted with the journalists on a number of topics such as regional trade integration in South Asia, trade facilitation, services trade, non-tariff barriers, agriculture and food security, trade and food security, climate justice, least-developed country issues, among others. Sixteen journalists from Bangladesh, India, Nepal, Pakistan and Sri Lanka participated in the training programme.

Regional consultation on road to Bali

SAWTEE and IPS, Colombo organised a two-day regional consultation on "Road to Bali: South Asian Priorities for the Ninth WTO Ministerial" in Marawila, Sri Lanka on 2-3 July 2013. The consultation adopted a resolution that has been submitted to all SAARC countries that are WTO members, so that they have a common voice in some of the WTO issues to take to the Ninth WTO Ministerial that is taking place in Bali on 3-6 December this year. Participants of the consultation opined that there are differences amongst South Asian countries, and it would be difficult to have a common position on all issues; however, there are issues that are of common concern to most of the South Asian countries, and those concerns should be taken to the WTO Ministerial with a common voice.

Some of the common major issues SAARC governments should take to the Ninth WTO Ministerial as South Asia's common position include: effective market access on items of export interest to developing countries and LDCs; market access in services, especially for Mode 4; and financial and technical assistance from developed country members for infrastructure upgradation in developing countries and LDCs.The consultation further reiterated the need for effectively utilising flexibilities available to developing countries under the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS), especially in the context of public health. Moreover, support to the disclosure requirement for enhanced mutual supportiveness between the TRIPS Agreement and the Convention on Biological Diversity formed key to the resolution adopted.The resolution also focused on the provision of additional AfT funding for regional projects in South Asia, and preferential AfT for LDCs, along with putting in place a robust AfT monitoring and evaluation mechanism with full participation of recipient countries; and enforcement of the DFQF market access to LDCs on all products of their export interest, in line with Annex F of the Hong Kong Ministerial Declaration of 2005.

Participants of the consultation included representatives of civil society organizations, think tanks, government organisations, intergovernmental organisations, media organisations, among others, from five South Asian countries.

EDITORS
Asish Subedi
Sudeep Bajracharya

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

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