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OPINION IN LEAD

Bali package: Implications for South Asia

The recently concluded Ninth Ministerial Conference (MC9) of the World Trade Organization (WTO) adopted a Ministerial Declaration covering three pillars of the Doha Development Agenda (DDA): trade facilitation, some agricultural issues and select development-focused provisionsfor the least-developed countries (LDCs); collectively called the 'Bali package'.

"For the first time in our history, the WTO has truly delivered", WTO Chief Roberto Azevedo said during the closing of the MC9. However, experts criticize that the chief achievement of the conference may be that negotiators managed to avoid an outright meltdown; and spent all time and efforts on some limited issues while leaving aside the others. Notwithstanding this fact, Bali package is a milestone for all 159 WTO members, marking the organization's first global trade agreement since it was created in 1995.

The Bali accord for sure will help revive confidence in the WTO's ability to negotiate global trade dealsafter it consistently failed to clinch agreement in the Doha round of talks that started in 2001.

Agriculture subsidies remained the most contentious of all. India led the effort to prevent emerging markets from facing challenges at the WTO over subsidies granted to farmers and consumers under the aegis of "food security". A deal was made that India and other developing nations could continue to provide agriculture subsidies—not exceeding 10 percent of total cost—to bolster food security without having to worry about legal challenges unless such practice have trade distorting effects. This waiver will remain until a permanent solution is agreed upon.

With this provision in place, on a positive note, countries in South Asia that face challenges of food security, can subsidize their food security programmes without having to worry about the WTO rules on subsidy. However, given the large food subsidy programme such as that of India and considering the porous nature of national borders, it is most likely that there will be leakage of farm products from India to neighbouring countries like Nepal. This leakage can have negative implications for local farmers since they will have to compete with subsidized Indian food grains coming to the local market through illegal routes. On the other hand, although consumers in these countries definitely benefit from the cheap farm products, it is extremely important for South Asian countries to strengthen their customs administration, mainly to keep the illegal trade of subsidized Indian farm products in check. Additionally, in the short run, India will be stockpiling the farm products to use for its food security programme. Meanwhile, India's domestic production will not have increased, which may hurt South Asian countries that import farm products from India.

Trade facilitation is one of the pillars comprising the Bali package. It is the measures to cut trade-related red tape and streamline customs and port procedures to ease the movement of goods through national frontiers. Especially red-tapism is to be the target of the reforms: fewer receipts, official documents and certificates. According to an estimate, trade facilitation could cut global trade costs by more than 10 percent, raising annual global output by over US$400 billion, with benefits flowing disproportionately to high or middle income countries.

The reforms taken under the trade facilitation measures will be of utmost importance to all the countries in the region to boost their trade.Trade facilitation reforms are more important for landlocked countries in the region which face multiple challenges due to not having direct access to the sea. Additionally, trade facilitation provisions also create obligations to the countries. In this context, there is a need for countries to enact compatible rules and regulations along with the investment in infrastructure either to create new ones or to strengthen the existing ones.

In order for South Asian countries to fully benefit from trade facilitation measures as envisioned by the Bali package, it is important to enhance their trade related capacity.

Therefore, assistance from developed countries is very essential to fully reap the benefits form trade facilitation provisions of the Bali package. Special focus should be directed towards the delivery of targeted and coordinated technical assistance aimed at strengthening export capacity of South Asian countries.

The package for the LDC is much applauded part of the Bali declaration and is of much importance to LDCs in the region: mainly Bangladesh and Nepal. The other South Asian LDCs—Afghanistan and Bhutan—with the status of observer members of the WTO, also enjoy some provisions of the LDC package, if not all. The LDC package benefits in two ways—by providing the duty-free and quota-free (DFQF) access to developed and developing countries' markets, and through simplified preferential rules of origin that will enable all 49 LDCs to identify products as their own and qualify for preferential treatment in importing countries.According to the deal, the developed and developing countries that do not yet provide DFQF market access for at least 97percent of products originating from LDCs shall seek to improve their existing DFQF coverage to provide increasingly greater market access to LDCs prior to the next ministerial conference. Although LDCs had demand DQFQ market access to all their products, market access to 97 percent of products originating from LDCs is still a good achievement for now.

In order for South Asian LDCs to benefit from this provision granted to the LDCs, it is very essential for these two countries to overcome their supply side constraints. The assistance to be provided to the LDCs, which is also the part of LDC package, will be instrumental to fill-in this gap. It is also important to strengthen and widen the mandate and resources of the organizations like the Enhanced Integrated Framework (EIF) of the WTO in leveraging trade related resources and strengthening trade capacity of the LDCs.

The LDC package also discussed upon the much waited waiver on service trade. MC9 has agreed to convene a High-level meeting six months after the submission of a LDC collective request identifying the sectors and modes of supply of particular export interest to them. In such meeting, developed and developing Members, in a position to do so, shall indicate sectors and modes of supply where they intend to provide preferential treatment to LDC services and service suppliers. Developed and developing country, however, in their individual capacities, may at any time to extend preferences to LDCs' services and service suppliers, consistent with the waiver Decision, which have commercial value and promote economic benefits to LDCs.

There is a need for enhanced technical assistance and capacity building to help LDCs benefit from the operationalization of the waiver. LDCs have been invited to include their services related needs in their respective national development strategies and in their dialogues with development partners. It is high time LDCs put forth their demands to the developing and developed Members.

The benefits of the Bali package are likely to take years to materialise, with Azevedo set to prepare a roadmap for it over the next 12 months. According to the ministerial declaration, a clearly defined work program on the remaining Doha Development Agenda issues would be prepared within the next 12 months, focusing particularly on agriculture, development and LDC issues. Given the fact that the accord is not legally binding, it runs a risk of turning into a rhetoric. Thus, it is now the responsibility of all WTO members to keep a close eye on futuredevelopments in Geneva aimed to fulfil the commitments made in Bali.

ANALYSIS

Inclusive and sustainable development remains a dream for LDCs

Economies in the North as well as the South are already feeling the impact of the recent slowdown in the world economy. In this context, the LDCs are especially vulnerable given that all 49 LDCs have the lowest income, weakest human resources and little to no fiscal room for mitigation. Against this backdrop, the Least Developed Countries Report 2013 titled–*Growth with employment for inclusive and sustainable development* was launched in mid-November. As the title suggests, the Report considers how LDCs can promote growth and create employment that enables LDCs to reach their goals: poverty reduction, inclusive growth and sustainable development.

Despite the decrease in global demand in recent years, LDCs have to a large extent enjoyed decent GDP growth by relying more on domestic consumption and on South-South trade. This trend is likely to continue in 2013; average GDP growth of LDCs is estimated to be 5.7 percent. South Asian LDCs are also expected to experience modest growth. Bhutan is expected to record GDP growth rate of 6.3 percent, while Bangladesh, Afghanistan and Nepal are estimated to grow at 6 percent, 3.1 percent and 3 percent respectively. Unfortunately, the economic progress has failed to translate into a corresponding rise in employment levels and has emerged as the major impediment to achieving long-term sustainable growth. In fact, average employment has lagged behind real GDP growth for LDCs during the period 2000-2012. In the period 2000-2012, annual LDC employment growth was 2.9 percent, slightly above the population growth rate of 2.3 percent, but well below LDCs' average GDP growth rate for the period of 7 percent.

Considering that the population of LDCs is projected to double to 1.7 billion by 2050, the Report stresses the need to generate quality job opportunities since the total LDC labour force is expected to expand by 30 percent in the coming decade. The Report states that in 2005 there were 2.9 million and 456,000 new entrants to the labour force in Bangladesh and Nepal respectively; the figure is expected to peak at 3.1 million and 633,000 by 2020.

Moreover, a rapid shift of labour out of low-productivity agriculture to more productive non-agriculture sector is adding to the magnitude of the employment challenge in LDCs. According to the Report, in 2000, agriculture sector accounted for 71 percent of total LDC employment; by 2018 the estimate is expected to drop to 63 percent. In South Asia, all LDCs are expected to see a significant decline in agricultural labour force in 2000-2012. The decline will be highest in Bhutan (-33%), followed by Bangladesh (-12%), Afghanistan (-9%) and Nepal (-6%) respectively. Due to high population growth, declining agricultural farm size and low productivity, agricultural production is becoming a less viable livelihood for the rural poor.

Regrettably, LDCs have not been able to generate sufficient industrial/services sector jobs to absorb the growing labour force moving out of the agriculture sector. Due to the lack of employment opportunities, many are migrating to developing and developed nations in search of better job opportunities. In many LDCs, the outflow of migrant workers has reached critical levels and has consequently made the economies dependent on remittances. This is clearly the case in South Asia where remittances account for a large share of gross national income (GNI). Workers' remittances represent a whopping 23.7 percent in Nepal and 10.4 percent in Bangladesh--significantly higher than the LDCs' average of 4.4 percent.

In view of discussed issues, it is clear that if aforementioned demographic issues are not addressed, the challenge of poverty alleviation and sustainable development in LDCs will prove to be insuperable. But in light of LDCs' current economic composition, it is unlikely that these countries will be able to employ all the new labour market entrants unless the pattern of growth shifts towards more diversified employment intensive sectors. In this regard, the Report suggests LDCs to start the growth process by providing employment opportunities for the youth and women, and develop productive capacities through investment-growth-employment nexus. Specifically, the Report identifies two strategies to address the issue of growth as well as job creation. The first is to cut their reliance on commodity exports and instead emphasis on commodity-based exports. For instance, agriculture can be the basis for developing value-added industries such as food processing. The second strategy could favour investment in labour-intensive industries; LDCs could seek to integrate domestic firms into global supply chains and attract foreign direct investment to expand industrial and services sector.

Based on the Least Developed Countries Report 2013 - *Growth with employment for inclusive and sustainable development*. United Nations Conference on Trade and Development (UNCTAD).

NEWS

TEPC moves to get collective trademarks

The Trade and Export Promotion Centre (TEPC) has started work to obtain collective trademarks for Nepal's woollen carpets, ginger and large cardamom. It has started the paper work for the products that have been identified as major potential exports with financial support from the Nepal Trade Integration Strategy (NTIS).

TEPC Deputy Executive Director Bimal Nepal said they had started discussions with the Central Carpet Industries Association (CCIA) and other stakeholders to prepare the documents required to register the trademark with the Department of Industry (DoI). "We have formed a committee and are in the process of formulating the code of conduct necessary for the documentation process," he added.

The TEPC said that it had started work as planned by the government in its annual budget. The financial plan for 2013-14 has given priority to registering collective trademarks of export products to promote them in the international market.

The budget has mentioned starting work to register the trademarks of carpet, cardamom and ginger and continuing the registration process of tea and coffee in the international market. According to the TEPC, it will start work to register the collective trademarks of ginger and large cardamom in the second quarter of this fiscal year. "We will start work after the election to the Constituent Assembly," he said.

Nepali handmade paper, pashmina and coffee have obtained collective trademarks while leather footwear and tea are in line to get them.

Source: http://www.ekantipur.com, 21.11.2013.

Bangladesh approves wage hike for garment factory workers

The International Labour Organization (ILO) recently unveiled its report - *Bangladesh: Seeking better employment conditions for better socioeconomic outcomes*, stressing thatimproving working conditions in Bangladesh's ready-made garment (RMG) industry is crucial for achieving sustainable growth in the country. The report comes after a series of disasters in garment factories, including the deaths of more than 1,130 people when a plant collapsed in Dhaka.

The ILO report says that "unless a comprehensive set of labour market and social policies are introduced, Bangladesh will be unable to maintain its economic momentum and improve living standards in a sustainable way". It points out that Bangladeshi garment workers earn less than their colleagues in Cambodia, Vietnam, India or Pakistan, and that the minimum wage has been adjusted only three times in almost 30 years.

Meanwhile, succumbing to the international pressure on Bangladesh after a string of fatal factory accidents that thrust poor working conditions and pay into the spotlight, the Bangladeshi government has decided to increase the pay of garment workers by 77 percent from December in its attempt to end a wave of strikes that have roiled the world's second largest clothing exporter in recent months.

The official wage board has agreed to increase the monthly minimum wage for entry-level garment industry workers to BDT 5,300 (US$68) from BDT 3,000 currently. Workers had asked for the minimum wage, which was last raised in 2010, to go up to BDT 8,000 a month, but the wage board negotiated a compromise which was acceptable to all sides, said Sirajul Islam Rony, a member of the government appointed committee.

The new wage structure includes allowances for food, rent, transport and medical care. Workers' basic salaries will also be increased by 5 percent a year, Rony added.

Rock bottom wages and trade deals with Western countries have propelled Bangladesh's garments sector to a US$22 billion industry accounting for four-fifths of its exports, with retailers such as Wal-Mart Stores Inc, JC Penney Company Inc and H&M Hennes & Mauritz AB buying clothes from its factories.

Source: http://www.bbc.co.uk, 19.11.2013; http://www.reuters.com, 21.11.2013.

Warsaw climate talks set 2015 target for plans to curb emissions

Under the agreement reached at the Warsaw Climate Change Conference, countries have until the first quarter of 2015 to publish their plans to set out their targets on curbing greenhouse gas emissions from 2020. The process is seen as essential to achieving a new global deal on emissions at a crunch conference in Paris in late 2015, for which the fortnight-long Warsaw conference was supposed to lay the groundwork.

The emissions goals, to come into force from 2020, will be set at a national level, but after they are published there will be a chance for other countries to scrutinise them and assess whether they are fair and sufficiently ambitious. At the insistence of a small group of “like minded developing countries” comprising of nations like Venezuela, Saudi Arabia, Bolivia, Malaysia, China, India, Thailand among others – the goals will take the form of "contributions" rather than the stronger "commitments" that most other countries wanted.

The "like-minded developing countries" group takes the view that the strict separation of nations into "developed" and "developing", which was set at the first international climate talks in 1992, and enshrined in the 1997 Kyoto protocol—in which developed countries were obliged to cut emissions but developing countries had no obligations—must remain as the bedrock of any future agreement. They argue that the "historical responsibilities" for climate change lie with the first nations to industrialise.

That view is firmly rejected by the United States and the European Union, both of which have agreed to take a lead in cutting emissions, but have also repeatedly pointed out that the tables have turned on historic responsibilities. Emissions from rapidly emerging economies such as China and India are growing so fast that by 2020, the date when any new agreement will come into force, the cumulative emissions from developing countries will overtake those of rich nations.

Loss and damage was one of the key rows in the early stages of the meeting, as some developing countries demanded "compensation" from rich countries for the damage they suffered from extreme weather. A compromise was reached with a new "Warsaw international mechanism" by which the victims of disaster will receive aid, but it will not be linked to any liability from developed countries.

Another success at the conference was the completion of a new mechanism to keep the world's remaining forests standing –Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+), for reducing emissions from deforestation and degradation, this has been in the works for most of the last decade.

But all countries admitted that most of the preparation work for Paris still remains to be done. Politically, the battle between the like-minded group—which is separate from, but claims to lie within, the broader G77 group of the majority of developing nations—and the US and the EU will be key. For both sides, gaining support from the rest of the unaligned developing nations—some of which are highly vulnerable to climate change and are desperate for a deal, but others who are courting economic investment from China—will be crucial.

Source: http://www.theguardian.com, 24.11.2013.

Climate Finance at COP19

Many were disappointed by the failure to revamp the funding to help developing countries green their economies and prepare for climate change impacts at the 19th Conference of the Parties (COP19). COP19 was expected by many to be 'the finance COP' and some hoped that this round of negotiations would produce a fair agreement on the future of climate finance and pave the way for further finance negotiations in Paris in 2015, when the global climate deal is supposed to be struck.

Most nations agree that developing countries need pledges of financial assistance from wealthier nations to contribute to domestic efforts to reduce their emissions and to adapt to the effects of climate change. The World Bank estimates that developing countries' needs will increase to hundreds of billions of dollars a year by 2020. However, developed and developing countries have vastly different ideas of the form this support should take. Because of these tensions, COP19 has failed to produce a meaningful pathway towards equitable climate finance. The Overseas Development Institute notes that pledges to the United Nations (UN) climate funds have dropped 71 percent in 2013.

At COP19, the climate finance conversation remained split sharply along the divide between the global North and South. Many of the LDCs continued to push for quantifiable pathways for developing countries' efforts to scale up climate finance, arguing that predictability is critical for them to plan their actions. Additionally, they want the newest multilateral UN finance channel, the Green Climate Fund, to be well funded and to finally begin operations. But none of the developed countries have yet committed to a scaling-up pathway. Indeed, the UK is the only developed country to declare that countries should commit to roadmaps to scaling up public finance.

Certainly, progress has been made at COP19. Several developed countries have publicly pledged funds to UN climate finance channels. The Adaptation Fund reached its modest US$100 million fundraising goal during the COP, and the Green Climate Fund announced that it is completing the final steps that will enable it to begin operations.

Nevertheless, new pledges fall far short of the agreed-upon value and developing countries' needs. Additionally, transparency remains dubious, and no further action was taken at the COP to ensure that the finance is "new and additional" (as promised), or that it is distributed as grants rather than loans. Pathways to scale up climate finance to the agreed-upon US$100 billion by 2020 were not established; even proposals to create an intermediate target (US$70 billion by 2016) were not accepted. Developing countries left COP19 without a predictable source of funding.

For decades, conflicting ideologies have created a climate stalemate, preventing the creation of a robust international climate action plan. Compromise is a difficult pill to swallow, and sometimes developed countries must be willing to reach an agreement on developing countries' terms. As we approach the milestone COP21 in Paris, nations need to act collectively to protect mutual interests, prioritizing finance delivery to promote global climate justice. A paradigm shift is necessary to resuscitate the possibility of just climate finance and an effective climate regime.

Source: http://www.commondreams.org, 30.11.2013.

ACTIVITIES

Stakeholder's dialogue on Nepal's participation at the 9th WTO Ministerial Conference

SAWTEE, Nepal's Ministry of Commerce and Supplies (MoCS) and Federation of Nepalese Chamber of Commerce and Industry (FNCCI) jointly organized a stakeholders' dialogue in Kathmandu on 28 November 2013 in order to identify Nepal's negotiating positions for the 9th Ministerial Conference of the World Trade Organization (WTO) scheduled for 3-6 December in Bali. Honourable Shankar Prasad Koirala, Minister of Commerce and Supplies, who was leading the Nepali delegation to the Ministerial Conference was the Chief Guest of the programme.

The major focus of discussion at the dialogue was the three pillars that were being taken to Bali: agriculture, trade facilitation and development dimension, whichinclude least-developed country (LDC) issues. Speakers at the dialogue stressed that Nepal's major concern at Bali is the issue of the development dimension as it relates to trade and development aspects of LDCs. Given the scenario of tradeoff between trade facilitation and agriculture between developed country members and developing countries, mainly India, there were concerns that Bali might not be able to deliver results. Nevertheless, Nepal, who was also the coordinator of the LDC Group, should demand that there be a deal at least on the LDC package, which would consist of 100 percent duty free and quota free market access, preferential rules of origin, operationalization of services waiver and special and differential treatment.

On the trade facilitation agreement, there was a broad consensus that the agreement should have provisions on binding commitments from developed country members to provide dedicated financial and technical resources to LDCs to implement the provisions of the agreement. Similarly, on agriculture, although the issues at stake currently are not very important for Nepal, from a long term perspective, Nepal's position should be in line with the G33 proposal on food security.

Dr Shankar D Bairagi, Nepal's Ambassador to the WTO, provided an overview of the state of negotiations in Geneva and the package that LDC members have worked out and provided to the WTO. He also pointed to the difficulty that Nepal, as the Chair of the LDC Group, had to face in reconciling all LDC members' differing interests and concerns.

About 55 participants, including trade policy experts, policymakers, and private sector representatives participated in the dialogue.

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