A dialogue on trade and development in South Asia

Vol. 17, No. 1-2, 2021

TRADE insight

Securing graduating LDCs' interests in the WTO

ACCESS TO TECHNOLOGY | CLIMATE CHANGE | INEQUALITY | AID FOR TRADE

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TRADE insight

editors' note

Re-igniting hope

BEGINNING early October until the end of this year a number of important global meetings are taking place. The Fifteenth Session of the United Nations Conference on Trade and Development (UNCTAD 15) and the Fifteenth Meeting of the Conference of the Parties to the Convention on Biological Diversity (CBD COP15) are being organized in October, and the Twenty-sixth United Nations Climate Change Conference of the Parties (COP26) and the Twelfth Ministerial Conference of the World Trade Organization (WTO MC12) in November-December. These meetings will be attended by both government and non-government stakeholders from developed, developing and least-developed countries. They will deliberate on various aspects of several crucial issues such as poverty, inequality, biodiversity, climate change and international trade, among others. While these meetings are important in their own right, the need for enhanced cooperation to emerge from the COVID-19 pandemic has added to their significance.

The theme of UNCTAD 15 is "From inequality and vulnerability to prosperity for all". The main objective of CBD COP15 is to adopt the post-2020 global biodiversity framework that will provide a strategic vision and a global roadmap for the conservation, protection, restoration and sustainable management of biodiversity and ecosystems for the decade 2021–2030. Similarly, COP26 aims for countries' commitments on actions that will ensure net zero carbon emissions by 2050 and limiting of global temperature rises to 1.5 degree Celsius. WTO MC12 will delve on various aspects of global trade, including agriculture, issues of least-developed countries (LDCs), fisheries, Aid for Trade and others, with environment as a cross-cutting agenda. Taken together, these four important global events aim for global cooperation to promote economic growth and development in all countries in a way that reduces inequality and ensures prosperity for all while respecting the earth's biodiversity and climate. While this should always have been the mantra of progress, so far, the focus has largely been on economic growth with less considerations for sustainability and resilience. Effects of this have manifested in the form of rising temperatures, severe droughts, unprecedented flooding and wildfires, and so on. Henceforth, humanity's most important agenda should be economic development that is clean, green and resilient. Better late than never!

While it is the responsibility of all countries to contribute to this endeavour, a significantly large share of the responsibility lies with the developed countries. Developing countries, especially the least-developed among them, require continuous and meaningful support from the advanced countries. Such support needs to be in various forms, such as financial and technical assistance, special and differential treatment, and so on. This is all the more important for the LDCs that are graduating from the LDC status in the near future as they stand to lose the preferences and international support they have been receiving as LDCs, whether it is the preferential market access in developed and developing country markets or climate-related support from the LDC Fund, among many others. The upcoming global events should deliberate on these issues and come out with meaningful outcomes that are in the interests of the entire humanity and not just a few. ■

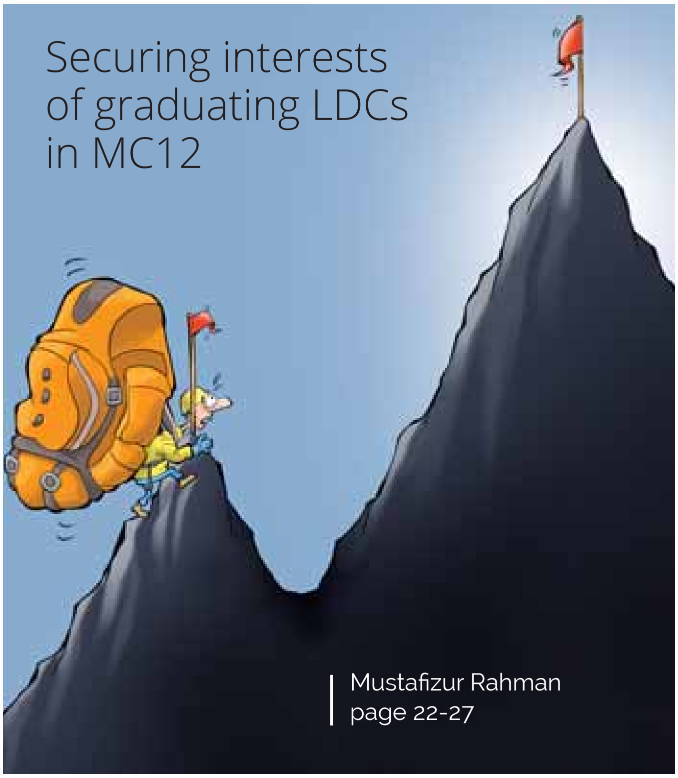
sawtee

P.O. Box: 19366
Tukucha Marg
Baluwatar, Kathmandu, Nepal
Tel: +977-1-4424360/4444438
Fax: +977-1-4444570
E-mail: sawtee@sawtee.org
Web: www.sawtee.org

Regd. No. 208/070/071 (Kathmandu)

Trade Insight Vol. 17, No. 1-2, 2021

Content



MEMBER INSTITUTIONS OF SAWTEE
BANGLADESH 1. Bangladesh Environmental Lawyers' Association (BELA), Dhaka; 2. Unnayan Shamannay, Dhaka; INDIA 1. Citizen consumer and civic Action Group (CAG), Chennai; 2. Consumer Unity & Trust Society (CUTS), Jaipur; 3. Development Research and Action Group (DRAG), New Delhi; NEPAL 1. Society for Legal and Environmental Analysis and Development Research (LEADERS), Kathmandu; 2. Forum for Protection of Public Interest (Pro Public), Kathmandu; PAKISTAN 1. Journalists for Democracy and Human Rights (JDHR), Islamabad; 2. Sustainable Development Policy Institute (SDPI), Islamabad; SRI LANKA 1. Institute of Policy Studies (IPS), Colombo; 2. Law & Society Trust (LST), Colombo

Dhaka drops plan to negotiate FTA with US

BANGLADESH'S government has backtracked from a plan to propose a free trade area (FTA) deal with the US.

The Bangladesh Trade and Tariff Commission had studied the feasibility of signing a FTA with the US and found that the country could reap financial benefits only if the deal is signed exclusively on trade issues. However, it found various barriers including shortcomings on labour and human rights issues, differences on intellectual property rights, public procurement system, service sector, and investment issues may not favour inking a deal with the US.

But now the ministry officials think that even if the US agrees, Bangladesh would not be able to meet the rigorous conditions that would be imposed by the US. Bangladesh lost the GSP facility in the US market after the Rana Plaza collapse back in 2013, and since then it has implemented various labour rights conditions set by the US and the European Union. However, the US did not restore the GSP facility and is still putting pressure to further improve workplace safety and labour rights.

Due to the GSP facility cancellation, apparels, Bangladesh's main exportable item, enter the US market by paying as much as 15 percent duty, making exporters less-competitive. *(www.thefinancialexpress.com.bd, 11.01.2021)* ■

Global investors flock to China amid improved business environment

Pxfuel

GLOBAL investors' enthusiasm for the Chinese market seems unstoppable despite the COVID-19 pandemic, as the latest data showed that China successfully navigated the economic fallout in the turbulent year and became the top investment destination worldwide.

In 2020, global foreign direct investment (FDI) flows plummeted by 38 percent from a year before to US$846 billion, the lowest level since 2005, the Organisation for Economic Cooperation and Development (OECD) said.

The global FDI flows represented only 1 percent of world GDP, their lowest level since 1999, the OECD said. OECD's FDI figures echoed a report by the United Nations Conference on Trade and Development (UNCTAD) earlier this year, which also found China as the largest FDI recipient in 2020.

China's appeal to foreign investment has extended into 2021, as the Chinese economy sustained positive performance in the first quarter, and foreign companies expected a promising future in the country.

China has made great efforts to lure more global investors to its massive domestic market by widening market access and improving the business environment.

In January, a revised industry catalog that opens up more sectors for foreign investors came into effect, encouraging more foreign capital flows into high-end manufacturing.

Other measures included further implementing the pre-establishment national treatment plus negative list management system, accelerating the implementation of salient foreign-funded projects, and strengthening protection for foreign investment. *(www.chinadaily.com.cn/ 05.02.2021)* ■

India introduces procedure that will allow Nepal to export power to it

Pxfuel

NEPAL can now export its surplus power during energy glut to India. The Central Electricity Authority of India has detailed the process of the country importing and exporting electricity with its neighbours allowing Nepal's power to be traded into the Indian power exchange market.

But there is a caveat. The procedure has imposed certain restrictions for trading of power if there is investment from a country with which India shares land border in the generation of such power, which Nepali officials believe is aimed at Chinese investment in the power sector of Nepal given the strained ties between the two geopolitical rivals.

For any relaxation in this provision, the procedure states that the designated authority of India would consult with India's Ministry of Power and Ministry of External Affairs. Amid strained relations between India and China due to the border clash in Galwan Valley, India has been restricting Chinese investment in India and this has been extended in power trade with neighbouring countries.

"Even though India introducing the procedure of power trade will help Nepal to export power to India, the restrictive provision in the procedure may discourage foreign investment in Nepal," a senior official at Nepal's Energy Ministry said. *(www.kathmandupost.com, 28.02.2021)* ■

COVID crisis to push global unemployment over 200 million mark in 2022

The economic crisis caused by the COVID-19 pandemic is expected to contribute to global unemployment of more than 200 million people next year, with women and youth workers worst-hit.

The International Labour Organization (ILO) maintained in a new report that although the world's nations will emerge from the ongoing health crisis, "five years of progress towards the eradication of working poverty have been undone" nonetheless.

The worst-affected regions in the first half of 2021 have been Latin America and the Caribbean, Europe and Central Asia.

They've seen estimated working-hour losses exceed eight per cent in the first quarter and six percent in the second quarter, far higher than the global average (of 4.8 and 4.4 percent respectively).

Women have been hit disproportionately by the crisis, seeing a 5 percent employment fall in 2020, compared to 3.9 percent for men. Youth employment has also continued to suffer the economic downturn, falling 8.7 percent in 2020, compared with 3.7 percent for adults.

Compared to 2019, an additional 108 million workers worldwide are now categorized as 'poor' or 'extremely poor', meaning that they and their families live on the equivalent of less than US$3.20 per person, per day. The organization also projected a 'jobs gap' increase of 75 million in 2021, which is likely to fall to 23 million in 2022, if the pandemic subsides. The report maintained that global employment recovery should accelerate in the second half of 2021. *(https://news.un.org, 02.06.2021)* ■

Bolder climate action could save millions of lives each year by 2040

COUNTRIES could save millions of lives annually by 2040 if they commit to bolder plans to cut planet-heating emissions and curb global warming in line with the goals of the Paris Agreement on climate change, researchers have said.

A study published in *The Lancet Planetary Health* journal found policies to that end could, each year, save 5.86 million lives due to better diets, 1.18 million lives from cleaner air and 1.15 million lives through more walking and cycling by 2040.

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In 2015, governments set a global goal of limiting average temperature rise to 'well below' 2°C above pre-industrial times and set emissions reduction targets as a first step to getting there.

However, UN Secretary-General Antonio Guterres urged countries to take bolder action ahead of November's COP26 UN climate conference and come up with stronger 2030 targets consistent with cutting emissions to net zero by 2050.

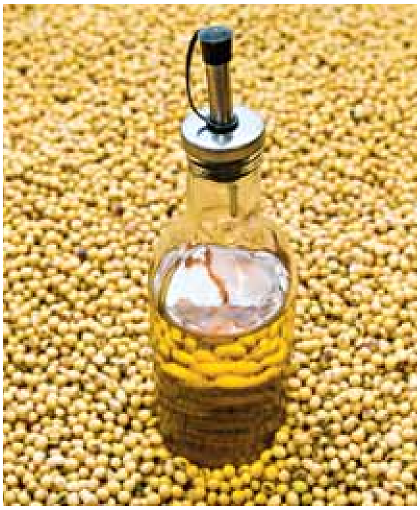
The new research highlighted how the potential health benefits of climate action could give added impetus to countries to submit more ambitious national climate plans ahead of COP26. *(www.reuters.com, 10.02.2021)* ■

India asks Nepal to check authenticity of certificate of origin of soybean oil

WITH Nepal's soybean oil exports surging despite near zero domestic production, the Indian government has officially asked the Nepal government to check the authenticity of the certificate of origin issued to local exporters.

Soybean oil became Nepal's largest export in less than a year, knocking palm oil from the number-one spot, as traders switched products to continue exploiting trade preferential loopholes after the Indian government squeezed palm oil imports.

In January 2020, India's Directorate General of Foreign Trade issued a notification putting refined palm oil trade under foreign trade policy from 'free' to 'restricted' commodity.



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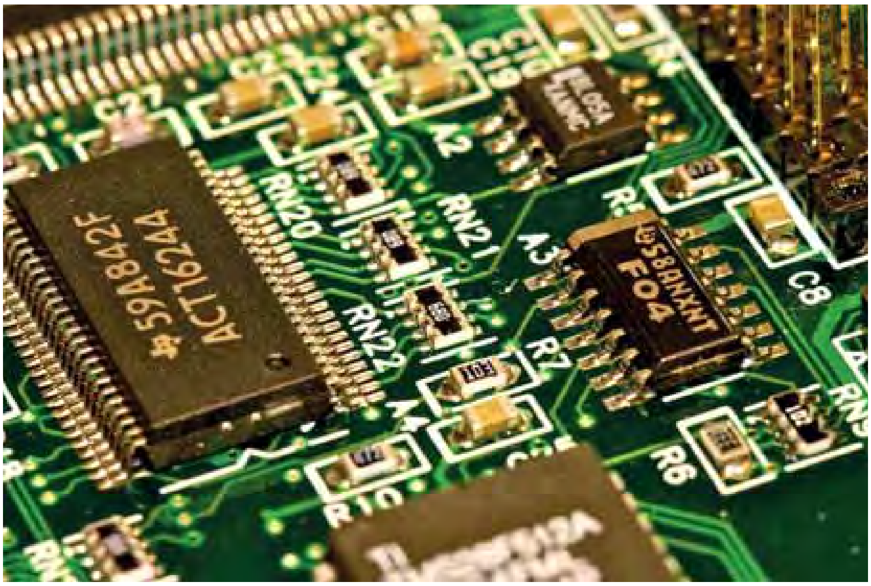
Nepali traders simply shifted to importing crude soybean oil and exporting the processed product to India instead of palm oil. Nepal produces very little soybean oil, not even enough to fulfil its own requirement.

India is becoming increasingly concerned as swelling Nepali exports are hurting Indian refiners and farmers, besides causing loss of revenue to the government. *(www.kathmandupost.com, 22.03.2021)* ■

Global shortage in computer chips 'reaches crisis point'



Pxfuel

CONSUMERS are facing price rises and shortages of products from televisions (TVs) and mobile phones to cars and games consoles as a global shortage in semiconductors grows.

The shortage in chips, the 'brain' within every electronic device in the world, has been steadily worsening since last year.

Initially the problem was only a temporary delay in supplies as factories shut down when the coronavirus pandemic first hit. Although production is back to normal, a new surge in demand driven by changing habits fuelled by the pandemic means that it is now reaching crisis point.

Car manufacturers investing in tech-heavy electric vehicles, the boom in sales of TVs and home computers and launch of new games consoles and 5G-enabled mobile phones have all driven demand.

Ford recently cancelled shifts at two car plants and said profits could be hit by up to US$2.5 billion due to chip shortages, while Nissan is idling output at plants in Mexico and the US. General Motors said it could face a US$2 billion profit hit.

In February, Sony, which along with other console makers has struggled with stock shortages over the last year, said it might not hit sales targets for the new PS5 this year because of the semiconductor supply issue. Microsoft's Xbox has said it forecasts supply issues continuing at least until the second half of the year.

Car manufacturers, who cut chip orders as vehicle sales fell last year, found themselves at the back of the queue when they tried to reorder when the market rebounded. The entire global car industry buys about US$37 billion worth of chips, with the biggest players such as Toyota and Volkswagen spending more than US$4 billion each, making them relative minnows for semiconductor suppliers.*(www.theguardian.com, 21.03.2021)* ■

Bhutan's new hydropower policy seeks cooperation

THE Bhutanese government will explore trilateral, sub-regional and regional cooperation in developing hydropower projects in the country, according to the Sustainable Hydropower Development Policy 2021.

The policy, which supersedes the hydropower policy of 2008, has come with major changes, including the need to promote multipurpose hydropower projects. The projects will be part of the regional, sub-regional and trilateral energy framework, which is aimed at providing greater market access for electricity from Bhutan.

The policy, however, does not abandon the inter-governmental (IG) model wherein the development partner will be responsible for the financing of the project. The government can also develop hydropower projects on its own. All the hydropower projects will be developed with full ownership of the government. The government, however, will encourage the private sector to venture into hydropower-related ancillary businesses and services.

According to the policy, construction materials, equipment, machinery and services imported for direct use in the construction of projects may be exempted from any levies, taxes and duties. As the domestic demand for electricity is likely to continue to grow, the policy aims to enable hydropower development to keep pace with the increase in domestic demand. *(www.kuenselonline.com, 22.04.2021)* ■

Pakistan backtracks on lifting ban on imports from India

THE Pakistani cabinet has deferred the import of sugar and cotton from India. The Pakistani flip flop comes, even as on 31 March, Pakistan's Economic Coordination Committee (ECC) of the Cabinet had given approval for import of white sugar from India (up to 500,000 MT) till 30 June and import of cotton till the same deadline.

Restoration of special status for the erstwhile state of Jammu and Kashmir has been a key issue for Islamabad vis-a-vis import of sugar and cotton.

India had removed article 370 or special status for the erstwhile state of Jammu and Kashmir in August of 2019. As a reaction to it, Islamabad recalled its envoy from Delhi, cut trade ties and people to people relationship by suspending train and bus services. *(www.msn.com, 01.04.2021)* ■

Climate change to cost Pakistan US$3.8bn yearly

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WARNING of an increase of up to 2.5°C in temperature over the next two decades, the Asian Development Bank and World Bank have estimated that Pakistan is facing up to US$3.8 billion in annual economic loss due to climate change.

A study titled *Climate Risk Country Profile* for Pakistan put Pakistan among the top risk-prone countries in terms of increase in average temperatures and resultant economic and social losses.

"Pakistan faces increases in average temperatures significantly above the global average with a potential rise of 1.3°C-4.9°C by the 2090s over the 1986-2005 baseline," the study said, noting that Pakistan faced "some of the highest disaster risk levels in the world, ranked 18 out of 191 countries by the 2020 Inform Risk Index". The rise in global average by 2080-99 is estimated at about 3.7°C under the highest emission estimates.

The report said Pakistan regularly experienced some of the highest maximum temperatures in the world, with an average monthly maximum of around 27°C and average June maximum of 36°C. *(www.dawn.com, 19.05.2021)* ■

Nepal's top court tells govt not to allow FDI in agro sector

THE Supreme Court of Nepal has issued an interim order directing the government not to implement the decision to allow foreign investment in the country's agricultural sector.

The government had published a notice in the Nepal Gazette on 4 January, paving the way for foreign investors to invest in large agricultural industries with a mandatory provision of exporting at least 75 percent of the production.

The government's decision had opened foreign investment in livestock farming, fish farming, bee-keeping, fruits, vegetables, oilseeds and pulses farming as well as in dairy and other agriculture-related businesses.

It was stated in the writ petition that Nepali agricultural industries would collapse as Nepali farmers would not be able to compete if foreign investment is allowed in the sector. Issuing the interim order, the Supreme Court has also directed the concerned government bodies to submit the reasons for allowing foreign investment in the agricultural sector. *(www.thehimalayantimes.com, 21.01.2021)* ■

Sri Lanka starts talks on preferential trade deal with Bangladesh

THE Sri Lankan government approved the decision to commence discussions to finalize a Preferential Trade Agreement (PTA) with Bangladesh.

The Government is confident a PTA will boost trade between Sri Lanka and Bangladesh, which is relatively small at US$200 million.

The decision follows Sri Lanka and Bangladesh in March agreeing to strengthen economic relationship via a free trade pact during Prime Minister Mahinda Rajapaksa's visit to Dhaka.

The proposed PTA will contain a list of goods as the initial step, according to the proposal made by Sri Lanka's Trade Minister. Both Sri Lanka and Bangladesh act as member countries of the South Asian Free Trade Area (SAFTA), Global System of Trade Preference (GSTP), Asia-Pacific Trade Agreement (APTA) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC).


Wikimedia Commons

Once finalized, Bangladesh will be the third South Asian country with which Sri Lanka has a free or preferential trade arrangement after India and Pakistan. Both FTAs have helped to enhance bilateral trade. *(www.ft.lk, 16.06.2021)* ■

G7 finance ministers agree global minimum tax of at least 15%

GROUP of Seven (G7) rich nations have agreed to commit to a global minimum tax of at least 15 percent on a country by country basis.

"We commit to reaching an equitable solution on the allocation of taxing rights, with market countries awarded taxing rights on at least 20 percent of profit exceeding a 10 percent margin for the largest and most profitable multinational enterprises," a communique from G7 finance ministers seen by Reuters said. It further said, "We will provide for appropriate coordination between the application of the new international tax rules and the removal of all Digital Services Taxes, and other relevant similar measures, on all companies." *(www.reuters.com, 08.06.2021)* ■

India slashes tariff value for edible oil import

GOVERNMENT of India has reduced the tariff value for the import of edible oil, including palm oil, by up to US$112 per tonne, a move which experts said can lead to lower domestic prices. The Central Board of Indirect Taxes and Customs (CBIC), through a notification, has cut the tariff import value of crude palm oil by US$86 per tonne, and crude palmolein by US$112 per tonne each. It also reduced the base import price of crude soyabean oil by US$37 per tonne.

Tax experts said the reduction in tariff value could result in softening of edible oil prices in the domestic market as customs duty payable on the base import price would decline.

According to data compiled by the Solvent Extractors' Association of India, the overall import of vegetable oils (edible and non-edible oils) during November 2020 to May 2021 rose 9 percent to 76,77,998 tonnes, compared with 70,61,749 tonnes in the corresponding period of the previous year. *(www.economictimes.indiatimes.com, 17.06.2021)* ■

Trade facilitation and women's economic empowerment

ACHIEVING gender equality and empowerment of women are key for sustainable development. Like any other sector, gender equality and women's empowerment has been realized to be important in trade facilitation as well. This is highlighted in a report by the US Agency for International Development (USAID). The report, *Women's Economic Empowerment and Gender Equality in Trade Facilitation: The Role of Customs and Border Services*, is based on a women's economic empowerment and gender equality (WEEGE) assessment in the areas of cross-border trade.

The report details the ways in which women's economic empowerment and gender equality is integrated into customs and border agencies services, operations and personnel management and identified key gaps and proposed recommendations.

Trade data shows that women are not experiencing the economic benefits of international trade at the same rates as men. The report finds that even before they confront customs agencies, women face a daunting array of barriers to starting and growing their businesses: unequal access to financial services; higher costs for goods and services, due to their smaller scale and unequal access to distribution networks; and lack of access to legal, marketing, information technology, and trade information.

Social burdens such as care for children or elderly people in the family bound women to be less engaged in trade. The report also found that lack of entrepreneurial expertise and literacy were pushing women away from trade. As for trading across borders, women have to struggle more than men due to male-dominated environments. According to the report, even where customs processes are automated and personal interaction with agencies is minimal (and primarily through customs brokers and lawyers), women traders may face more impersonal barriers, ranging from unequal access to information, networks, and capital, to social norms that favour male leadership.

Customs services often lack gender equality, and gender sensitive management. Some countries even lack designated restrooms for women. The report suggests that trade facilitation policies and implementation measures must consider and support the needs of women, including cross-border and other micro traders. While gender equality is important, women's empowerment is equally important. To support women's empowerment, customs agencies should create work environments that are more diverse and more supportive of women traders and officials.

> Trade data show that women are not experiencing the economic benefits of international trade at the same rates as men.

The report clearly identifies issues with infrastructure, access to information, safety and harassment at the border. WEEGE assessment within customs found male-dominated environment and leadership and limited leadership opportunities for women.

Women face difficulties every day in the form of harassment, abuse of power from men and unwillingness to share and provide already available information. In order to create gender equality and empower women, the report recommends the following measures at the border: i) design and implement trade facilitation technology in partnership with women traders, ii) provide updated and ongoing trainings to customs officials, iii) build women-friendly and safe infrastructure at the border, iv) provide easy-to access customs information to empower women traders, and v) implement policies through a gender lens as gender 'neutrality' can result in unintentional bias against women.

Similarly, the report also provides recommendations for women's empowerment and to create gender equality within customs: i) use behavioural design learning to increase hiring, retention and promotion of female staff, which includes, anonymizing job applications and institute pay transparency among others, ii) build targeted systems of accountability for progress on gender equality, women traders and survivors of sexual harassment and abuse of power, iii) provide regular training on gender bias, equality and harassment, and iv) invest in a strong and integrated gender architecture. ■

This is excerpted from a report published by USAID titled 'Women's Economic Empowerment and Gender Equality in Trade Facilitation: The Role of Customs and Border Services'.

Climate change widespread, rapid, and intensifying

THE latest report on climate change warns that there are chances of crossing the global warming level of 1.5°C in the next decades, and finds that unless there are immediate, rapid and large-scale reductions in greenhouse gas emissions, limiting warming to close to 1.5°C or even 2°C will be beyond reach.

The sixth assessment report of the Intergovernmental Panel on Climate Change (IPCC) titled, *Climate Change 2021: The Physical Science Basis*, is a reality check regarding climate change and its effects. The report clearly finds that emissions of greenhouse gases from human activities are responsible for approximately 1.1°C of warming earth temperature since 1850-1900. The assessment is based on improved observational datasets to assess historical warming, as well as progress in scientific understanding of the response of the climate system to human-caused greenhouse gas emissions. Based on the new estimates, the report has projected that in the coming decades climate change will increase in all regions. This will lead to an increase in heat waves, longer summers and shorter winters. In the case of 2°C of global warming, the report warns of heat extremes reaching critical tolerance thresholds for agriculture and health. Global warming has already led to polar caps melting at a higher rate.

A rise in temperature is just one change brought by climate change. The report highlights that multiple different changes will occur in different regions. As climate change is intensifying the water cycle, more intense rainfall and associated flooding as well as more intense drought have occurred in many regions. The coastal areas will see continued sea level rise, contributing to more frequent and severe coastal flooding and coastal erosion. The report gives a grim statement that extreme sea level events that previously only occurred once in 100 years could happen every year by the end of the 21st century. The rise in sea level and change in temperatures will affect both the ocean ecosystem along with the people that rely on them.

The report emphasizes that the changes currently seen and the projected changes that could happen in the near future are all linked to human actions and activities. The report projects that aspects of climate change can be amplified as heat waves and flooding from precipitation urban areas become more frequent and in sea level in coastal areas rise. Climate change can also affect harvesting as rainfall patterns are changing. The report shows that in high latitudes, precipitation is likely to increase while it is projected to decrease over large parts of the subtropics. This will bring changes in the monsoon precipitation, which will largely affect harvest and may even lead to scarcity of food. Many changes are unprecedented in thousands of years, and some of the changes already set in motion such as continued sea level rise are irreversible over hundreds to thousands of years.

> Strong and sustained reduction in emissions of carbon dioxide (CO2) and other greenhouse gases would limit climate change.

By providing examples of the multiple changes that can occur in different regions, the report calls for actions to reduce the damage done by human activities. The report shows that human activities still have the potential to determine the future course of climate change. Strong and sustained reduction in emissions of carbon dioxide (CO2) and other greenhouse gases would limit climate change. According to the report, quick changes of this would be noticed by the improved air quality, but it would take 20-30 years to see global temperature stabilize.

The report presents a clear picture of what has been done, what can happen and what can be done. The example provided by IPCC in the report reflects the reality of what has happened and what can happen. The report also provides a hope that human actions and activities can limit climate change. The report finds strong evidence that CO2 is the main driver of climate change, thus a reduction in CO2 and other greenhouse gases can stabilize the climate. The report provides detailed regional assessment of climate change, including a focus on useful information that can inform risk assessment, adaptation, and other decision making. ■

This is excerpted from the 'Climate Change 2021: The Physical Science Basis' report published by Intergovernmental Panel on Climate Change.

Implementing intellectual property flexibilities
Lessons from the pandemic

The use of intellectual property flexibilities in LDCs has been limited and the pandemic has shown that it is time to fully exploit this policy space.

Sangeeta Shashikant

The COVID-19 pandemic has underscored the vital importance of utilizing, to the fullest extent, policy space in the area of intellectual property (IP). Since the onset of the pandemic, many countries around the world have had to confront various challenges concerning access to tools protected by IP. These include copyrighted materials as learning shifted to online platforms, and health products and technologies necessary to prevent and treat the infection but protected by a number of intellectual property rights (IPR). The pandemic has also accentuated the significance of local production as limited supplies of critical commodities are rapidly snapped up by developed countries.

Since March 2020, the least-developed countries (LDCs) have perhaps struggled the most with limited financial resources, facilities and technological capacity to contain the pandemic and deal with its socio-economic impacts. In October 2020, United Nations Conference on Trade and Development (UNCTAD) reported that middle- and low-income countries have been largely priced out from access to COVID-19-related products.[1] On average, each resident of high-income countries benefited from US$10 of imports of COVID-19 products, and this number is much lower for middle-income countries at about US$1, and lower still for low-income countries at a mere US$0.10.

This points to the staggering inequity witnessed in this pandemic and is feared to deepen further. For instance, although testing is crucial to identify the nature and scale of infection, as of 23 June 2021, for every million people, there were a mere 2.8 percent reported tests in the LDCs, compared to 20 percent tests in developing countries and 121 percent in developed countries.[2] It is no different for vaccines, as by June 2021 just 3.1 percent of the LDC population had received at least one dose of a COVID-19 vaccine despite 14 percent of the world's population living in LDCs. Only 1.58 percent of the people living in the African region, which has the most LDCs has been vaccinated.[3] This vast disparity has shone a spotlight on flexibilities within the IP system to address national needs.

IP protection standards were globalized with the entry of the World Trade Organization (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights. This instrument, commonly known as the 'TRIPS Agreement', set minimum requirements to be followed by the WTO members. These standards generally confer exclusive rights to the right holders across the different categories of IP covered by the Agreement. But it also contains flexibilities, allowing Members to take measures to prevent abuse by the IP holders as well as to protect public health, nutrition and to promote public interests in sectors of vital importance.[4]

The LDC members of the WTO enjoy a greater set of flexibilities. In view of their special needs and requirements, their economic, financial and administrative constraints and their need for flexibility to create a viable technological base, the LDCs are generally exempt from implementing the TRIPS Agreement pursuant to Article 66.1.[5] In addition to this general exemption, which presently continues till 1 July 2034,[6] there is also a specific exemption from TRIPS requirements on patents and protection of undisclosed information applicable to pharmaceutical products until 1 January 2033.[7] The LDCs also have a right to seek an extension of this exemption, known as the transition period.

In 2020, when requesting for extension of the general exemption, then set to expire on 1 July 2021, the LDCs argued, among others, that to "overcome the difficulties confronting LDCs, magnified manifold by the COVID-19 crisis, LDCs need maximum policy space, *inter alia*, to access various technologies, educational resources, and other tools necessary for development and to curb the spread of the COVID-19 pandemic. Most intellectual property (IP)-protected commodities are simply priced beyond the purchasing power of least-developed countries."[8]

Since the onset of the pandemic, countries around the world have had to confront various challenges concerning access to tools protected by IP.

Bangladesh's example

A concrete example of the significance of this policy space in the ongoing pandemic is the case of Bangladesh. In mid-2020, a therapeutic known as remdesivir was considered to be important for the treatment of COVID-19 (although later found to be lacking in efficacy for treating COVID-19 patients[9]). Gilead Sciences, which holds patents on remdesivir in more than 70 countries, engaged a few manufacturers as licensees to produce and supply to a group of low- and middle-income countries. The terms of the license agreement are shrouded in secrecy but what is known is that the license agreement excludes nearly half of the world's population from benefiting from price-lowering generic competition on the drug.[10] Gilead's own supply was itself rapidly bought up by the rich countries.[11] However, with robust manufacturing capacity and no IP barriers in Bangladesh, other generic producers (not licensed by Gilead) were able to supply sufficiently to meet domestic and foreign markets' demands for affordable remdesivir. This includes India amid a deteriorating COVID-19 situation in the country as it battled against the second wave of the pandemic.[12] The generic alternative from Bangladesh is significantly cheaper, being sold in the domestic market at one-tenth of the price for a five-day treatment.[13]

The rise of Bangladesh's generic industry can be attributed to several policies adopted by the government. It inherited the British Patents and Designs Act, 1911, which allowed the patenting of new pharmaceutical products. With a liberal approach towards multinational companies (MNCs), in the early 1980s, foreign companies dominated Bangladesh's pharmaceutical sector.[14] In 1982, through the Drugs (Control) Ordinance, the government banned the manufacture, import and sales of drugs identified by an Expert Committee as harmful, unnecessary, and otherwise undesirable drugs; and the marketing of drugs by MNCs manufactured on contract basis for MNCs were banned if the MNCs did not have any manufacturing plant in the country and if these drugs or their substitutes were produced locally.[15]

Notably, in 2008, utilizing the LDC exemption allowed under the TRIPS Agreement, the government issued an executive order that removed patents in pharmaceutical products. This step was significant for it has enabled the production of generic alternatives of therapeutics patented in other juris-

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dictions, such as remdesivir. Beyond the pandemic, there are also similar examples. Bangladesh's Incepta was the first to launch a US$10 per tablet generic version of Gilead's blockbuster drug sofosbuvir sold in the US for US$1,000 per tablet.[16] Sofosbuvir is the backbone for the treatment of hepatitis C, an infectious disease afflicting an estimated 58 million people around the world.

These national policies have supported the significant growth of the pharmaceutical industry in Bangladesh. The industry witnessed a compound annual growth rate of about 13.5 percent per year between 2012 and 2017. The country is largely self-reliant, with local production accounting for 97 percent of the market, in formulation products. Manufacturers have indicated that they also have the capacity to manufacture COVID-19 vaccines.

Beyond medicines

IP policy space is important even beyond access to medicines. As the pandemic forced school closures in more than 190 countries, learning shifted online. But a significant number of copyright laws in all regions lack adequate flexibilities to permit education to be conducted through digital and online means. Likewise, access to and use of essential materials for remote education and research, text and data mining of scientific publications, reverse engineering of software, repairs of medical equipment that imbed software and other copyright protected elements are all relevant to the containment of COVID-19, but may be hampered by restrictive copyright laws. As highlighted by Tel Amiel, UNESCO Chair in Distance Education, "Scientific information and educational resources related to the COVID-19 pandemic need to circulate in a timely and effective manner, and this can only be achieved if they are to be done openly without legal barriers and limitations".[17]

TRIPS waiver

Recognizing the central role of 'freedom to operate' to scale up and diversify global manufacturing of vaccines and other therapeutics so as to address the global inequity in access, India and South Africa submitted to the WTO in October 2020 a proposal to temporarily waive certain TRIPS obligations with respect to patents, copyright, protection of undisclosed information and industrial designs for the prevention, treatment and containment of COVID-19.[18] This proposal, which is now co-sponsored by 63 WTO Members, and supported by another about 40 Members, has received tremendous global support from various international organizations such as the World Health Organization and UNITAID, civil society, IP experts, parliamentarians, Nobel laureates and world leaders. While supported by a large majority of the WTO membership, it is opposed by a handful of developed countries such as the EU, Switzerland, UK, Norway etc. The US has also indicated support for an IP waiver for vaccines.

Although LDCs are generally exempt from TRIPS implementation, the LDC Group in the WTO has also co-sponsored the TRIPS waiver proposal. Its support reinforces the pivotal role of policy space in the realm of IP. LDCs may also benefit from cooperation with other developing countries in the form of south-south cooperation if the waiver proposal were to be adopted, allowing non-LDCs the freedom to operate and collaborate, albeit limited to the prevention, treatment and containment of COVID-19.

While IP flexibilities provide many opportunities for building productive capacities and responding to national needs, including health emergencies, their use in LDCs has been limited. There are many reasons for this. A common misconception is that implementing more IP will lead to investment, innovation and technological development. However, historical evidence suggests otherwise as it reveals that today's developed countries used legitimate and illegitimate means to acquire foreign technologies to support nascent industries in order to become competitive.[19] Most advanced countries were still routinely violating the IP of other countries' citizens well into the 20th century.[20] This situation is aptly captured by Ha-Joon Chang: ".....when they were backward themselves in terms of knowledge, all of today's rich countries blithely violated other people's patents, trademarks and copyrights. The Swiss 'borrowed' German chemical inventions, while the Germans 'borrowed' English trademarks and the Americans 'borrowed' British copyrighted materials –

all without paying what would today be considered 'just' compensation".[21]

Many industries in the developed countries have emerged due to the lack of IP protection. For example, in the 19th century, Switzerland's chemicals and textiles industries strongly opposed the introduction of patents as these would restrict their use of processes developed abroad. In fact, it was recognized that the Swiss industrial development was fostered by the absence of patent protection.

The experience of developing countries that build technological capacity is also similar.[22] In 1972, India abolished product patent protection in pharmaceuticals, a sector that was then dominated by multinationals. The policy change, operated as a pull mechanism, provided Indian companies the space and opportunity to develop and innovate. Supported by public investments in manufacturing and in research and development, Indian pharmaceutical companies made enormous progress. The lack of patents in India for that period has enabled the entry of generic competition including for HIV/AIDS, facilitating access at a fraction of the price being offered by patent-holding multinational pharmaceutical companies. India is thus known as the 'pharmacy of the world'.

In conclusion, even the TRIPS Agreement has linked "maximum flexibility in the domestic implementation of laws and regulations" to the creation of a sound and viable technological base and to address economic, financial and administrative constraints.[23] Hence, under Article 66.1 of the Agreement, LDCs are entitled to renewable exemptions from TRIPS implementation (transition periods). The lesson for LDCs from the pandemic is that it is time to fully exploit this policy space. ■

Ms. Shashikant is Legal Advisor and Coordinator, Development and Intellectual Property Programme, Third World Network.

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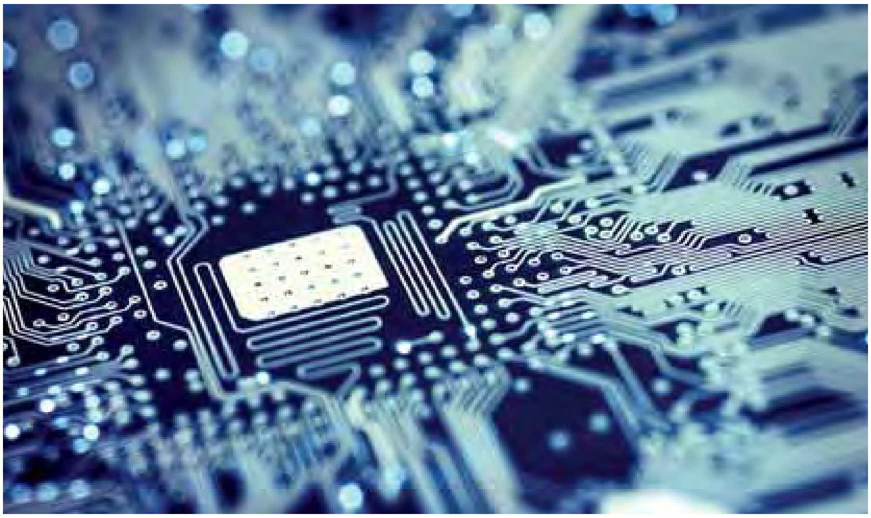
Access to technology: *sine qua non* for sustainable development

Since there are no major initiatives at the global level to address the unequal access to technology, there is a danger that it could result in lacklustre progress in SDGs.

Krishna Ravi Srinivas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Science, technology, and innovation (STI) is crucial to achieve the 17 sustainable development goals (SDGs).[1] SDGs recognize the key role of STI more categorically than Millennium Development Goals (MDGs). For instance, STI features prominently in SDG targets, and science and technology is included as the means of implementation of sustainable development under Goal 17. The importance of access to technology for achieving the SDGs is well recognized in the literature as well as in the SDG action plans.[2] Yet the reality on access to technology is not comforting, especially in the case of developing countries and least-developed countries (LDCs). The disparity in access to technology has been further highlighted by the COVID-19 pandemic. Developing countries and LDCs are facing severe difficulties in coping with the pandemic on account of their lack of capacity to indigenously develop and produce vaccines.

For developing countries and LDCs, access to technology has been an issue that has been part of several discussions and initiatives in the past seven decades or so. Yet there has been no solution that has met the expectations, particularly that of LDCs. While there have been some initiatives under different environmental treaties, the progress has been uneven and much needs to be done. To enhance access to technology and to promote transfer of technology, initiatives like the Technology Facilitation Mechanism (TFM) and LDC Technology Bank have been established. While these are important initiatives, whether they can make a significant impact in enhancing access to technology for the developing countries and the LDCs is an important question. Examples abound about the failure of existing arrangements in enhancing access to and promoting transfer of technology.

For instance, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) of the World Trade Organization (WTO) has as one of its objectives the promotion of technology transfer, thereby facilitating access to technology; however, the North-South divide is a stumbling block in translating this into action, particularly in giving effect to Article 66.2.[3] Under Article 66.2 developed countries are to incentivize their enterprises and institutions to promote technology transfer to LDCs. But nothing much has happened in this regard as developed countries are of the view that market mechanisms and related channels are enough and well suited to promote technology transfer to LDCs.[4] They consider that technology transfer should be decided more by demand and supply, market forces and other similar factors than by government incentives. The South has been reminding the North of the spirit of Article 66.2 and the need for more and better technology transfer.

Likewise, in the context of the COVID-19 pandemic, there has been much debate on the TRIPS Waiver proposal proposed by India and South Africa in the WTO to ensure that intellectual property rights (IPR) do not become a barrier in the production, distribution and use of vaccines, medicines and other tools, including diagnostics, necessary for combating the pandemic.[5] While the US has extended a qualified support to this proposal, some countries and groupings, including the EU, have opposed the proposal and have been arguing that other mechanisms in the TRIPS Agreement such as compulsory licensing are sufficient and a waiver is not needed. But technology transfer that is crucial for setting up and enhancing vaccine production is hardly prioritized. Similarly, in the case of messenger ribonucleic acid (mRNA) hub being set up in South Africa with support from the World Health Organization (WHO), the pharmaceutical multi-national corporations (MNCs) are reluctant to transfer technology. Although a few developing countries like China, India and Cuba have the indigenous capacity to develop, produce, distribute and use vaccines for COVID-19, the majority of the vaccines used and to be used are based on the technologies developed by about six pharmaceutical MNCs. The mRNA technology, which is a next-generation technology having applications in developing vaccines and beyond, remains a closely guarded technology.

Technology transfer regarding vaccines remains a non-starter on account of many reasons, including ownership of IPR. It is not contended that technology transfer is the panacea for all problems related to the COVID-19 pandemic. Rather, technology transfer, which could have been a key component of the solution to the pandemic, has not been effectively deployed. There has been technology transfer during and on account of the pandemic but it has not been commensurate with the actual need, and more importantly, it was found wanting in the case of vaccines.

The SDG Report 2021 acknowledges that the pandemic has caused a serious setback in achieving the SDGs. For example, regarding SDG 1, about 120 million people were pushed back to extreme poverty on account of the pandemic. Regarding SDG 3, it is reported that besides shortening life expectancy, the pandemic has reversed or halted progress in meeting the targets. Data regarding other SDGs also do not show reasons for optimism; instead, there have been missed targets and countries trying to cope up with unanticipated consequences.[6] The SDG progress report for the Asia-Pacific[7] points out that the region lags in achieving the SDGs and the current rate is woefully inadequate in achieving the SDG targets. Moreover, while there has been progress in some goals and regressions in others, the overall picture shows causes for concern as progress has been slow in half of the 17 goals. This mixed record, although not unique to the Asia-Pacific, only indicates that unless progress is made uniformly in all goals, achieving the SDGs will remain a distant dream. Access to technology is necessary to make progress in the SDGs. For example, in the case of SDGs related to climate change, technology is the *sine qua non* for just transitions and is an important part of mitigation and adaptation strategies.

Furthermore, it is important to understand that emerging technologies have a key role to play in achieving the SDGs. For one, they help in leapfrogging and provide cost-effective and viable solutions. Emerging technologies such as information and communication technologies combined with digitization and Artificial Intelligence (AI) can accelerate the progress towards SDGs. For example, AI can offer cost-effective solutions in SDG 3.[8] Importantly, such solutions are often replicable, without the need to reinvent the wheel. While what exactly are the emerging technologies can be discussed, *OECD STI Outlook 2016* has identified ten technologies-internet of things, big data analytics, AI, neurotechnologies, nanosatellites/microsatellites, nanomaterials, additive manufacturing, advanced energy storage technologies, synthetic biology, and blockchain-as most important technologies with disruptive potential.[9] Obviously, the impacts of these technologies will not be even and there can also be considerable risks. However, the challenge lies in harnessing these technologies for SDGs.

Access to technology or emerging technologies cannot be discussed in isolation with global trends in STI and how well the countries fare in STI in terms of spending in research and development (R&D), patents, publications and how good the policies related to STI are. While the North-South gap in science and technology (S&T) is well known, it is important to understand the changing dynamics in global S&T. The *UNESCO Science Report 2021* points out that countries such as China, India and South Korea have made significant progress in S&T with China moving ahead in the global race, thanks to its policies and sustained investment in S&T.[10] As a result, the technological gap between North and South has been reduced considerably. Thus, although the US and Europe are the global leaders in S&T, some other countries are fast catching up. The world is also witnessing new dynamism in S&T with some countries doing well in niche areas and start-ups from the South blazing a new trail in terms of innovative products and services. Whether China can overtake the US or Europe is a matter of debate; the significant development is that the South has made impressive strides in catching up. Yet, the picture is more complex—while global spending in S&T has increased considerably over the past few decades, not all countries have enhanced their spending in S&T considerably and many countries are spending less than 1 percent of their GDP in S&T. As the *UNESCO Science Report 2021* points out, G20 countries still account for about 90 percent of the global S&T in terms of expenditure, researchers, publications, and patents, and 80 percent of countries spend below 1 percent of their GDP on STI.[11]

Irrespective of global efforts, developing countries and LDCs need to have STI policies that enhance access to technology, develop the capacity to absorb technologies, promote R&D, and incentivize innovation.[12] The number of researchers in S&T has to be increased and, over a period, budget allocation for S&T has to be increased significantly. Similarly, innovative capacity in the national innovation system must be enhanced. All of these call for developing a well thought, coherent S&T policy and strategy that is essential for achieving the SDGs. This strategy should have access to technology as a key objective. Capacity building should be an integral component of this strategy where there is much scope for UN agencies and others to get engaged.

South-South cooperation (SSC) can also play an important role in enhancing access to technology. However, such co-opoeration should not be taken as the solution since cooperation is no substitute for home-grown policies, institutions, and governance mechanisms. But integrating access to technology in development cooperation can make a difference, which is the practice in many SSC projects. An option that has much potential but is often unexplored and under-utilized is regional cooperation in enhancing access to technology. Such regional cooperation can start with joint R&D, and technology and product development, leading to better transfer of technologies and increased access to technology.

While these are feasible strategies, we should not assume that these can solve all issues related to the access to technology. For example, in the case of TFM and Technology Bank, there are questions as to whether they facilitate access to emerging technologies. Regarding developing STI policies, while some strategies can work in the short term, only a long-term strategy coupled with commitments in investments, policy coherence and creating an enabling environment will work.

Thus, access to technologies in the context of SDGs calls for an urgent rethink on the trends and tendencies so far. There are no major initiatives at the global level to address the multiple dimensions in access to technology, nor synergy among the current initiatives seems to be emerging. Hence, there is a danger that access to technology may not happen on a sufficient scale, thus resulting in lacklustre progress in SDGs. This can be avoided only if access to technology is given due importance in plans and strategies regarding SDGs, and beyond. ■

Dr. Srinivas is Consultant at Research and Information System for Developing Countries (RIS), New Delhi.

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BBIN-MVA can be catalyst for women's economic empowerment

With a targeted orientation, implementation of the BBIN Motor Vehicles Agreement could enable inclusive recovery and encourage greater economic participation of women.

Dikshya Singh and Prashant Sharma

South Asia is one of the least integrated regional blocs in terms of trade and connectivity. Different factors, including geopolitics and geography, contribute to the weak regional integration. Lately, a sub-regional arrangement of eastern South Asian countries—Bangladesh, Bhutan, India and Nepal (BBIN)—aspires to deepen the currently dismal regional integration. Particularly important in the BBIN thus far is the BBIN Motor Vehicles Agreement (MVA), signed in 2015.[1] The objective of the BBIN MVA is to enable seamless flow of cargo, passenger and personal vehicles within the sub-region, which could be instrumental in reducing the currently high trade and transport costs. As a result, it has garnered substantial attention among stakeholders in the member countries, where the debates have covered various aspects of the MVA. However, there has been hardly any discussions on the gender dimensions of the agreement despite the fact that any policy reform or intervention impacts women differently than men.[2]

Interventions like the MVA, which could reduce trade and transport barriers, and the associated bureaucratic requirements, have the potential to bring substantive changes in the lives of women, particularly those engaged in cross-border trade. Reduced trade costs and seamless people-to-people movement would directly or indirectly expand their income opportunities. And, with a targeted orientation, implementation of the MVA could enable inclusive recovery and encourage greater economic participation of women in the sub-region.

Glimpses into economic interdependency

The BBIN sub-region comprises a developing country and three least-developed countries (LDCs), two of which, Bhutan and Nepal, are landlocked-least-developed countries. With around 4,096 kilometres of shared borders, 54 common rivers and coastal linkages, India and Bangladesh enable global market access for Nepal and Bhutan through their ports.

BBIN LDCs are at different stages of development progress. Furthermore, the BBIN LDCs are different from other LDCs in many aspects. For instance, compared to the African, Asian and Island LDCs, Bangladesh, Bhutan and Nepal are less dependent on commodity export.[3] Bangladesh has achieved rapid growth in the past few decades on the back of exports fuelled by the apparel industry while Bhutan's major export income is generated from hydroelectricity exported to India. Nepal's export basket, on the other hand, mostly comprises commodities such as tea, cardamom and ginger along with a few inconsistent booms in some manufactured products mostly exported to India.

While a significant portion of the trade in the BBIN region is India-centric, bilateral trade between other BBIN member countries have also been growing. Implementation of the MVA and other complementary trade facilitation measures can transform the current level of regional trade by boosting intra-regional value chain

Table
Economic engagements of women in BBIN

	Bangladesh	Bhutan	India	Nepal
Female Labour Force Participation Rate (%)*	36.3	48.8	18.6	26.3
Percentage of females employed in agriculture*	59.7	58.8	55.3	33
Percentage of females employed in non-agriculture**	20.7	32.9	15.9	40.3
Gender Development Index**,#	0.904	0.921	0.82	0.933

**Source: Latest Labour Force Survey reports of individual countries (Bhutan: (National Statistics Bureau, 2020); Bangladesh: (Bangladesh Bureau of Statistics, 2018) India: (National Statistical Office, 2020); Nepal: (Central Bureau of Statistics, 2019)*
***Source: Human Development Index individual country pages. # A value equal to 1 indicates development equality between genders, while values further from 1 indicate less development equality between genders.*

linkages within and beyond the sub-region.

Women in BBIN
Economic linkages among BBIN countries are largely dominated by agricultural commodities, agro-based industries, fisheries, forestry, and hydropower trade and investments. Exposure of women to these key sectors in the sub-region as consumers, producers, workers and traders is high but differs in extent and magnitude in the respective national contexts (see Table). Due to a lack of enabling environment to facilitate women's participation in formal trade, women in the sub-region tend to resort to informal trade and trade-related activities to meet their livelihood needs.[4] As such, women in the sub-region are mostly concentrated either in the informal sector or in informal jobs in the formal economy.[5]

The impact of existing economic linkages on women's economic well-being in the sub-region varies according to respective socio-economic contexts. Along with gender stereotypes, the common economic challenges women in the sub-region face relate to a lack of gender-sensitive policies and resources, which has resulted in a lack of inclusive access to infrastructure, skills and information. Similarly, regressive norms and institutional apathy cause women to have limited access to education, property and finance. This barricades women from upgrading into better-paying jobs or from transforming their enterprises into larger units.

Women's engagement in cross-border trade is largely limited to carrying agricultural, food and consumer items across borders informally. For example, India and Nepal share an open border of around 1,750 kilometres with a few designated check posts established for cross-border trade. However, due to different barriers such as custom-related hassles, expensive freight cost, including limited access to infrastructure, trade through informal channels involving women are rampant. A joint study by Consumer Unity & Trust Society (CUTS) and South Asia Watch on Trade, Economics and Environment (SAWTEE) in 2017 identified women as drivers and beneficiaries of informal trade between India and Nepal.[6] In the India-Bangladesh context, despite the success of border *haats*, trade through informal *haats* at some border sections (Mizoram-Bangladesh border, for example) is rampant. Around 80-90 percent of women residing in such areas are involved in informal trade through informal *haats*.[7]

MVA's impact on women
The impact of any reform is responsive to existing power relations that guide how access to opportunities and enabling factors are distributed. Hence, gender norms that underpin social, economic and political aspects could affect women differently than men when the MVA comes into effect. Thus, it is necessary to analyze whether unequal access to resources and information might amplify existing barriers faced by women or create newer and unexplored opportunities for women so that unfavourable impacts are mitigated while boosting the positive impacts.

Women will be affected as consumers, as producers, as workers and as traders due to changes brought by the MVA. The seamless movement of goods among the countries and the elimination of trans-shipment requirements at border points mean the cost of transport will be lower, leading to a reduction in prices of imported goods. This will impact not only the price of goods originating in the member countries but also the price of goods coming in from third countries. The reduced price of goods, especially food items and household consumer goods, highly benefit women who are usually responsible for the management of household budget.

The MVA and the resulting connectivity can create immense opportunities for women farmers and producers. Since agriculture is one of the major occupations of women in the sub-region, the seamless movement of goods could help producers fetch better prices, for instance, through the elimination of trans-shipment requirements and a corresponding reduction in the potential wastage. However, there is also a risk that such seamless movement could result in imported products displacing some of the indigenous products. Similar risks may also be present in some manufacturing products as the imported products

Due to a lack of enabling environment to facilitate women's participation in formal trade, women in the sub-region tend to resort to informal trade.

may displace small producers, who usually are women.

Also, the MVA is likely to encourage businesses to explore the potential of creating new commodity-linked value chain trade or deepen the existing ones in the sub-region. In the services sector, tourism and tourism-related services, in particular, are expected to see a boom as the seamless flow of cargo, passenger and personal vehicles create new opportunities. With targeted policies and resources, the MVA could facilitate transformative support to women's micro, small and medium enterprises while boosting women's wages in both formal and informal sectors.

One of the most important outcomes of the BBIN MVA could be increased digitalization of cross-border trade-related procedures. The seamless transport does not mean that any vehicle will be allowed to ply on the roads of other countries; the negotiations so far have made it clear that transport movement will be regulated and digital tracking of cargo vehicular movement will be made mandatory.[8] Thus, there is an increased chance of formalization of trade between borders. Although informal cross-border trade may not be directly affected by the MVA, increased digitalization of trade procedures may make evading customs a bit difficult, and simplified procedures may even make such evasion undesirable in many cases. However, increased digitalization may also risk alienating the women traders who are not well-versed in digital technology; hence, a conscious effort is necessary to bridge such digital divides.

Further, the MVA is likely to allow smaller cargo vehicles to move across borders ferrying goods, which will mostly help small businesses to reach the markets in neighbouring countries. For example, women entrepreneurs in Ilam, Nepal, which borders with eastern India, expressed that their products (candy, pickles and cheese) have high demand in India and Bhutan but they have not ventured formally into those markets due to hassles involved in getting their food products across borders.[9]

Implementing MVA with a gender focus

A World Bank report underlines that trade facilitation measures such as BBIN MVA are vital for enhancing women's access to regional markets.[10] More opportunities for women will therefore unravel while existing linkages deepen if the MVA is implemented as a COVID-19 exit strategy with a gender focus. With effectively managed cross-border trade, its phased implementation can greatly boost trade and tourism in the sub-region.

This can immediately benefit women in informal sectors, and with targeted interventions improve women's participation in formal sectors. Women in border areas are likely to benefit equally as the MVA enables a seamless transport, travel and tourism ecosystem, which is traditionally known to create employment for women.

> Increased digitalization of trade procedures may also risk alienating the women traders who are not well-versed in digital technology.

However, for the MVA and such trade facilitation measures to have a favourable gendered impact, a host of other complementary and enabling policy measures also need to be adopted. For instance, the MVA alone, in the form of convenient movement of goods across countries, will not enhance the participation of women in trade. For that to happen, all the auxiliary trade-related services also need to be gender-responsive and secure. Most importantly, women's participation in trade will be dependent on the existing business ecosystem that is mindful of the underlying and implicit gender norms and mores that inhibit women's participation in economic activities. For example, policy apparatus needs to solve issues such as the dearth of proper financing mechanisms or even lack of easily accessible information. In these cases, women traders have to be supported by linking them with business support services that could counsel them on how and where to seek finances, venture into new markets, create market linkages, etc. Unless these broader trade facilitation measures are given a push for greater participation of women in trade, connectivity agreements such as BBIN MVA alone may not bring about a drastic change. ■

Mr. Sharma is Jaipur (India)-based global economic and strategic affairs analyst.

Notes

1 Except for Bhutan, other signatories—Bangladesh, India and Nepal—have ratified the agreement and are in the process of finalizing related protocols to operationalize the MVA. Bhutan has given its endorsement for the implementation of the MVA while preferring to be an observer until its domestic process of ratification is complete.

2 UNCTAD. 2021. *Module 4E, Teaching Material on Trade and Gender, Volume I: Unfolding the Links*. Geneva: United Nations Publications.

3 ibid. Note 2.

4 CUTS International. 2021. *Mainstreaming Shepreneurs in International Trade: Evidence from the BBIN sub-region.* Jaipur, India: CUTS International.

5 Sharma, Prashant, and Kajal Sharda. 2021. "Accelerating women's participation in the BBIN supply chains is an imperative." *ARTNeT e-Forum*, 9 February 2021.

6 CUTS International. 2017. *Linkages and Impacts of Cross-border Informal Trade in Agricultural Inputs in Eastern South Asia*. Jaipur: CUTS International.

7 Taneja, Nisha, Sanjana Joshi, Shravani Prakash, and Samridhi Bimal. 2018. *Trade Facilitation Measures to Enhance Participation of Women in Cross-Border Trade in BBIN*. New Delhi: Indian Council for Research on International Economic Relations.

8 CUTS International. 2021. "BBIN Motor Vehicles Agreement: Implementation Concerns and Available Safeguards." CUTS International.

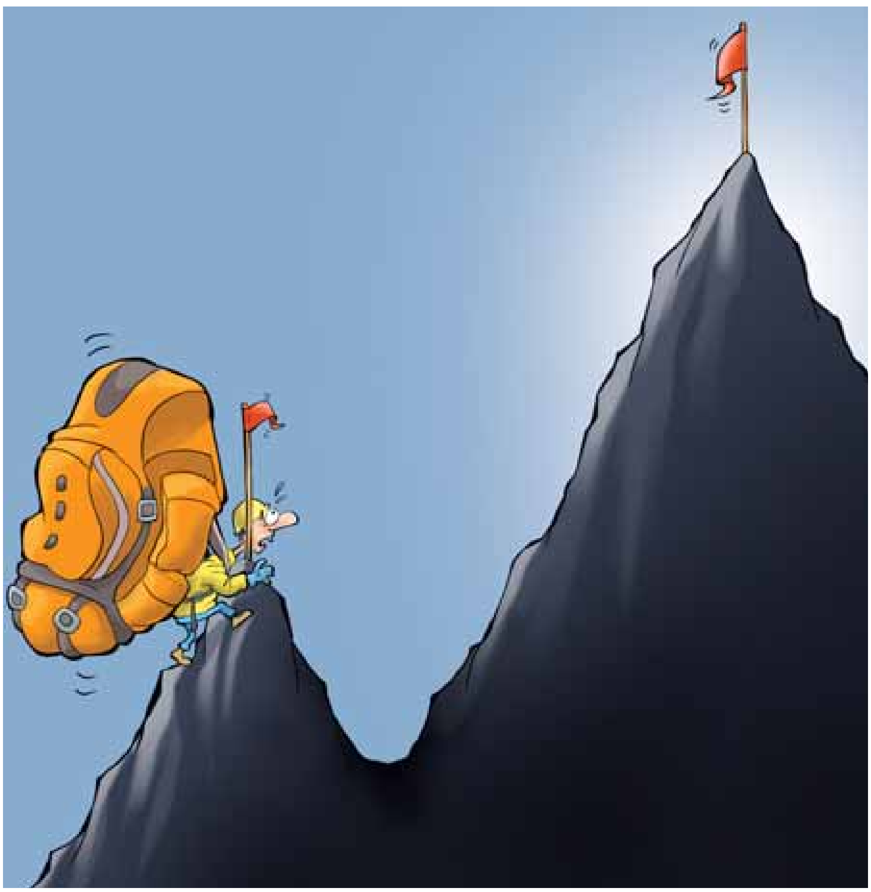
9 ibid. Note 7.

10 Herrera Dappe, Matias, and Charles Kunaka, eds. 2021. *Connecting to Thrive: Challenges and Opportunities of Transport Integration in Eastern South Asia.* Washington DC: World Bank.

Securing interests of graduating LDCs in MC12

Graduating LDCs are making a crucially significant transition in the shadow of the pandemic; so, they need a set of support measures, for a time bound period, towards sustainable graduation.

Mustafizur Rahman



The upcoming Twelfth Ministerial Conference of the World Trade Organization (MC12) is going to take place at a time like no other. Apart from the emergent health risks, the ongoing COVID-19 pandemic will have far-reaching consequences for the economies and livelihoods of people across the globe. The pandemic will have important implications for global trade and the multilateral trading system which have been significantly impacted. Nowhere are these adverse impacts as manifestly evident as in the relatively weaker economies, most prominently, in the least-developed countries (LDCs). The economic ramifications of these impacts are of particular significance for those LDCs that are slated for graduation since these countries will have to prepare for graduation under the long shadow of the pandemic.

The discussion regarding the challenges of graduation is particularly relevant for South Asian LDCs since three of the four LDCs in the region are among those that are expected to graduate out of the LDC group in the coming years.[1] In recent years, the discourse on helping the graduating LDCs move towards sustainable graduation has been gaining importance in the backdrop of old and new challenges facing the graduating LDCs. The pandemic had added new dimensions and new urgency to this discussion. It is from this vantage point that the upcoming WTO MC12 is of such heightened interest and importance to the graduating LDCs. Supporting the graduation process and graduated LDCs through the multilateral trading system has to be one of the key deliverables of the Ministerial Conference.

At present, 16 LDCs are on their way to graduation. Of these, seven LDCs have been recommended for graduation. These include Bangladesh and Nepal (in 2026) and Bhutan (in 2023) from South Asia. Eligibility of such a large number of LDCs for graduation has put the issue of possible implications of the loss of international support measures (ISMs) at the front and centre of discussions on LDC graduation. This article discusses some issues in view of sustainable LDC graduation and what is expected of WTO MC12 in this connection.

Table

Selected data on LDCs and graduating LDCs (in billion dollars)

Countries	GDP (Current US$)	Total export of goods (BoP, current US$)	Total export of services (BoP, current US$)	Total import of goods (BoP, current US$)	Total import of services (BoP, current US$)
World	8,4705.4	17,347.8	5,041.7	16,995.2	4,706.09
All LDCs* (including 16 graduating LDCs)	1108.69	170.55	41.86	237.73	60.14
LDCs recommended for graduation (7)	443.77	61.15	8.68	75.74	16.74
Bangladesh	324.24	32.47	6.31	48.85	8.41
Nepal	33.66	0.89	0.90	9.59	1.09
Bhutan	2.41	0.65	0.13	0.96	0.23
Angola	62.31	20.94	0.07	9.54	5.58
Lao PDR	19.14	5.81	1.18	6.27	1.25
Sao Tomé and Principe	0.47	0.01	0.04	0.12	0.04
Solomon Islands	1.55	0.38	0.05	0.40	0.15
Other graduating LDCs (9)	152.38	44.24	11.92	51.84	9.73
Other LDCs (26)	512.53	65.16	21.26	110.16	33.66

Source: Compiled from World Development Indicators (WDI) Dataset.

** Central African Republic, Chad, Eritrea, and Somalia are not included because of lack of data. However, the concerned magnitudes are insignificant.*

Emergent scenario on the eve of MC12

The graduating LDCs constitute an important segment among the LDCs in terms of a number of key indicators such as GDP and trade in goods and services (see Table). The challenges facing these LDCs can be better appreciated if some of the specific features of the emergent scenario, in the backdrop of which their graduation is taking place, is kept in the perspective.

Graduation in the shadow of the pandemic

A review of cross-LDC experiences clearly reveals that the ongoing pandemic is endangering the prospects of smooth graduation, graduation with momentum and sustainable graduation of the graduating LDCs. The pandemic has undermined the years of progress attained by LDCs and graduating LDCs in all three graduation criteria—the GNI Per Capita, Human Asset Index (HAI), and Economic Vulnerability Index (EVI). Of the seven LDCs recommended for graduation, only Bangladesh and Nepal had crossed the threshold for EVI at the time of the 2018 review of the Committee for Development Policy (CDP). The pandemic is likely to have further accentuated the economic vulnerabilities of these countries.

As the UNCTAD Vulnerability Profile report testifies, a number of graduating LDCs are relatively more severely affected by COVID-19 compared to others due to the adverse impact on their trade performance, among others.[2] Bangladesh's export earnings is yet to reach pre-pandemic level. Graduating LDCs which are relatively more dependent on earnings from tourism, such as Nepal and Bhutan in South Asia, have also been most adversely affected. While for some graduating LDCs, remittance inflows have not declined to the extent as was speculated initially,[3] many migrant workers have been compelled to return home because of the pandemic.

All these will make graduation a much more difficult task than was anticipated earlier, underpinning the need for support to help address embedded structural weaknesses and graduation challenges. As highlighted in a recent report, "The discernible progress made by the LDCs in the recent past in improving productive capacities and human assets should not be allowed by the international development community to disappear into oblivion because of the COVID-19".[4]

Much weakened WTO

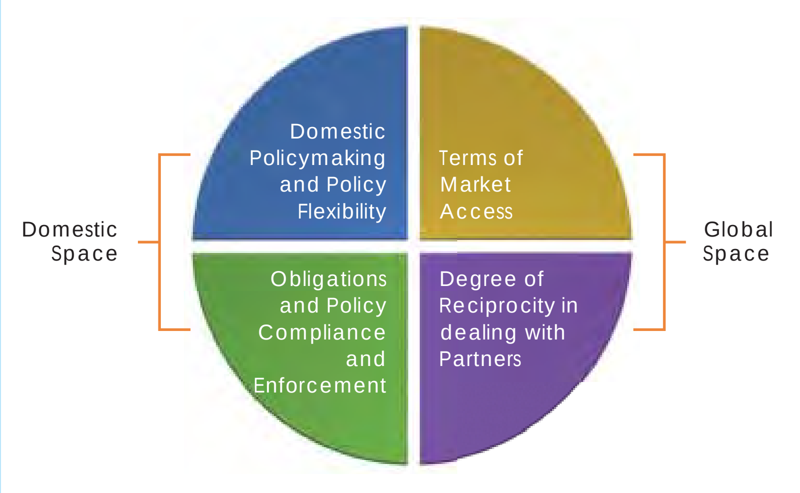
In recent years, the WTO has remained largely paralyzed for a number of reasons. One was questions raised by the US concerning the decision-making modality and procedures, appointment, remit of authority and mandate concerning the Appellate Body of the Dispute Settlement Body (DSB) of the WTO. However, the causes of dysfunctionality runs deeper, with some powerful countries raising questions about systemic issues concerning the multilateral trading system, including the decision-making process under the single undertaking modality. However, for relatively weaker economies, such a system is, in principle, preferable to not having any such system at all. In its absence it is the stronger economies that are likely to set the rules of the game and dominate the global trading scenario. Thus, LDCs and graduating LDCs have a high stake for a meaningful MC12 outcome.

Frustrating experience of implementation of the IPoA

A decadal Programme of Action in support of the LDCs was adopted at the fourth LDC Summit (LDC IV) in Istanbul in 2011 called the Istanbul Programme of Action (IPoA), in the presence of world leaders. The IPoA had reaffirmed "global commitment to addressing special needs of the LDCs".[5] It had recognized that the "graduation process of LDCs should be coupled with an appropriate package of incentives and support measures" and pledged to "work for development and implementation of smooth transition strategies for graduating LDCs". However, implementation of the IPoA has not been as anticipated. In view of the emergent scenario, the upcoming MC12 could serve as an opportune moment to keep the pledge made at LDC IV by coming up with an appropriate package of support for the graduating LDCs, and to set an optimistic tone for LDC V.

Majority of the LDCs are not members of mega-RTAs and there is a high cost for these 'innocent bystanders' particularly after graduation.

Figure 1
Impact of LDC graduation on policy space



Source: Author's elaboration in Rahman (2021).[7]

Ascendancy of mega-RTAs

LDCs are graduating at a time when forces outside the multilateral trading system are on the ascendancy. This is manifested in the many mega-regional trading arrangements (mega-RTAs), which allow member countries to have preferential access in each other's markets. Majority of the LDCs are not members of these RTAs. There is a high cost for these 'innocent bystanders' particularly when looked at from the perspective of graduation challenges. Upon graduation, LDC products will have to enter the markets of these regional blocs paying duties while RTA members will enjoy preferential access.[6]

Implications of LDC graduation in view of ISMs

LDC-specific ISMs have played an important role in the economic development and trade, and global integration of the graduating LDCs. Upon graduation many of the LDC-specific ISMs will no longer be available to the LDCs. It is reckoned that the impacts will have domestic and global implications for the graduating LDCs, as depicted in Figure 1. Graduation will have implications primarily in two forms: through loss of special and differential treatment (S&DT) for the LDCs in WTO Agreements and loss of preferential market access provided by WTO members unilaterally.

Loss of S&DT under WTO Agreements

S&DT, extended to the LDCs as part of various WTO Agreements, take multiple forms—extended periods for implementation of obligations; flexibilities in pursuing trade-related policies; relaxed disciplines as regards subsidies; notification as regards ceilings for bound and operative tariffs; trade-related technical, legal and financial support; and voluntary notification requirements.[8] The graduating LDCs will undergo loss of preferential treatment, loss of policy space (both domestic and global) and loss of preferential access to financial support from LDCs dedicated funds. Graduated LDCs will be required to undertake various obligations and ensure compliance as are applicable to developing members of the WTO. The country will lose policy flexibility and will be required to make regular notifications about policies and policy changes. For example, longer time period to introduce patent laws in view of Trade-Related Aspects of Intellectual Property Rights (TRIPS) and higher permissible subsidies in view of Agreement on Agriculture (AoA) will not be allowed. Similarly, support from LDC Climate Fund will no longer be available. Graduating LDCs such as Bangladesh will also not be eligible to benefit from concessions on subsidies under the Annex VII (b) of Agreement on Subsidies and Countervailing Measures since the per capita gross national income (GNI) of the country will likely be significantly higher than US$1000 in 1990 terms, the threshold for eligibility. Per capita GNI of Bangladesh in 2020 was only marginally lower (at US$985.0) than the US$1000 threshold, in 1990 terms.

Loss of preferential market access

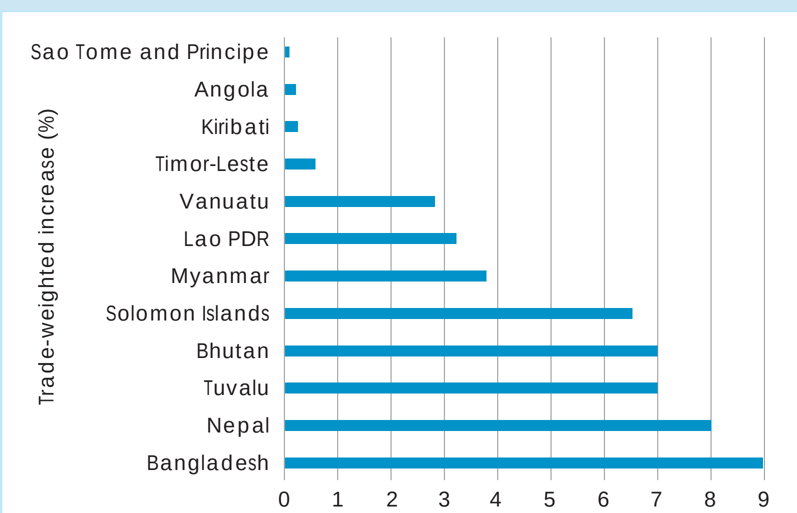
The enabling clause allows the GATT/WTO members to grant preferential treatment to other members, on a unilateral basis. Many non-LDC WTO members, both developed and developing countries, have preferential market access programmes in place, as part of respective Generalized System of Preferences (GSP) schemes or dedicated LDC-specific GSP schemes. Figure 2 shows how average tariffs are expected to rise once graduating LDCs lose the preferential market access facility. As can be seen, for some graduating LDCs, particularly those from South Asia, the tariffs are expected to rise significantly.

The loss to the 12 graduating LDCs on account of erosion of preferential market access is estimated to be in the tune of about 6.4 percent of their total export (in terms of 2016-2018 average export).[9] For Bangladesh, for example, likely losses on account of loss of preferences is estimated to be the highest at about 8-10 percent of Bangladesh's export earnings (in 2018 terms).[10]

The graduating LDCs need to engage in the MC12 discussions as LDCs, as graduating LDCs and as future developing countries.

While graduated LDCs will be eligible for preferential access as provided under the GSP schemes in place for the developing countries, these are considerably shallower on three counts: i) narrower coverage of products; ii) lower depth of tariff cuts will be lower[11] and iii) Rules of Origin will be more stringent[12]. Additionally, countries such as Bangladesh, will also not be possible to get into the EU's GSP plus scheme in view of the prevailing procedures and requirements.[12] It is in this backdrop that the idea of putting in place a new set of ISMs to compensate for the loss of LDC-specific ISMs and in support of efforts being made by graduating LDCs themselves to make graduation sustainable, is gaining traction.

Figure 2
Projections of tariff increases upon LDC graduation



Source: Extracted from WTO-IDB database.

Proposals for graduating LDCs

There is no denying that on their part the graduating LDCs must do their homework to devise sustainable graduation strategies. Indeed, almost all graduating LDCs have set in motion this process in preparation of their post-graduation future. The graduating LDCs need to engage in the MC12 discussions by wearing three hats—as LDCs, as graduating LDCs and as future developing countries—and try to serve their interests accordingly. For this, however, they will need global support. Graduating LDCs should also take advantage of the benefits which LDCs will be able to enjoy even after graduation, for some additional years (e.g, be a part of Enhanced Integrated Framework (EIF), access Everything-But-Arms facility for three years and support from Technology Bank for five years).

Implement UN Resolutions in support of graduating LDCs

Successive UN resolutions have extended support to graduating LDCs. In one of its resolutions concerning graduation, the United Nations General Assembly (UNGA) has urged for the phasing out of LDC-specific ISMs "in a gradual and predictable manner following the final exit of countries from the list". UNCTAD has mentioned that graduation is 'not a destination, but a milepost'. While the UNGA has introduced the term 'smooth transition' in its resolution, there is no clarity as regards what 'smooth transition' would entail in practice. Allowing currently graduating LDCs to enjoy flexibilities that are already in place till the time of their validity, e.g., TRIPS patent waiver until 2032, could be a powerful instrument in this respect.

Mobilize support at WTO General Council

As regards the proposal at WTO General Council (GC) for extension of LDC facilities for an additional 12 years following LDC graduation, LDCs and graduating LDCs should pursue this most vigorously at MC12. Harnessing support for the proposal from key groups in the WTO, including the Africa group, the African, Caribbean and Pacific Group of States, and the G-90, will be crucial, as also the support of the largest group, the informal group of developing countries in the WTO. The need for additional time to mitigate the adverse impacts of the COVID-19 pandemic on the graduation indicators in particular, and improve economic performance in general, must be forcefully underscored.

Consider graduation support package at MC12

Taking cognizance from the above, at MC12, members should consider a package of ISMs in support of the graduating LDCs. Elements of the support package could include the following:

Extending S&DT and preferential market access for a specified period: As has been argued above, there are strong arguments to take a decision in support of graduating LDCs, by extending the S&DTs in place for the LDCs in the various WTO Agreements, for a time-bound period. It is understood that this can be provided through a waiver decision that is consistent with the WTO procedures. The second option is to agree to a dedicated Work Programme for the graduating LDCs, with some concrete timelines.

With regard to the preferential market access provided on an autonomous basis, the preference providing countries should be urged to take initiatives to support and incentivize graduation. This can be done by extending preferential market access for a time-bound period, as a commitment towards supporting the cause of sustainable graduation. If not for 12 years, this could be for 5–7 years.

Putting in place a Graduation Support Fund: The EIF is the only multilateral partnership dedicated exclusively in support of LDCs in the areas of trade and towards strengthened global integration of their economies. The areas that were identified in the vulnerability profiles prepared by various entities as critically important from the perspective of sustainable LDC graduation included productivity enhancement, technology upgradation, skills development, export product and market diversification and building of trade-related soft skills. It is proposed that a dedicated fund is established to help address the aforesaid identified needs of the graduating LDCs.

Designing a debt relief initiative for LDCs and graduating LDCs: The pandemic has caused income erosion, rising unemployment, falling GDP growth rates, declining exports and rising debt-burden for many LDCs and graduating LDCs. A large number of graduating LDCs had been experiencing savings–investment gap, fiscal deficit and balance of payments shortfall even before the pandemic.[13] Many of these countries are incurring higher amounts of debt in the backdrop of lower foreign exchange earnings, lower domestic resource mobilization and higher expenditure due to the pan-

Pxfuel

demic. Hence, many LDCs could fall into debt trap. A debt relief initiative could release the much-needed forex resources for addressing the immediate developmental needs of LDCs and graduating LDCs.

Taking care of developing country priorities in view of the fisheries subsidies discussion: It is likely that the Agreement on Fisheries Subsidies, which aims at reducing illegal, unreported and unregulated (IUU) fishing, could be one of the key deliverables at MC12. It is estimated that about 60 percent of the assessed fish stocks have been fully exploited and 30 percent have been already overexploited.[14] The current text includes a list of subsidies to prohibit IUU fishing, a new rule for actionable fisheries subsidies, general exceptions and a system of S&DT that provides for exceptions for small-scale fishing close to shore. Developing countries and LDCs are asking for exclusion of fishing activities in territorial waters and to safeguard the interests of artisanal fishing. Graduating LDCs should take part in the discussion also by keeping in the purview their interests both as graduating LDCs and as future developing countries.

Making trade work towards addressing the pandemic impacts: At the recent review for LDC graduation by the CDP, a number of LDCs slated for graduation requested for deferment of graduation due to the impact of the pandemic. The CDP agreed to their requests. For example, the CDP has recommended graduation of Bangladesh and Nepal to take place in 2026, instead of the earlier scheduled 2024.

The members have now come to an agreement to commence text-based negotiations, which is a significant development in this connection.[15] At MC12, trade Ministers from all LDCs must come out strongly in favour of the TRIPS waiver proposal submitted by India and South Africa and others geared to helping members address COVID-related emergencies through trade measures. This ought to be seen as one of the key deliverables at MC12.

At MC12, members should consider a package of international support mechanisms in support of the graduating LDCs.

Conclusion

It is not that LDCs are not willing to graduate. They see graduation as a recognition of their success and progress in terms of key socio-economic indicators. They understand that they will be required to come out of the LDC group and graduate at some point. They are cognizant that they will need to be competitive based on skills and productivity rather than depending perennially on ISMs and market access preferences. However, their economies will be making a crucially significant transition in the shadow of the pandemic. What they are calling for is a set of support measures, for a time bound period, towards sustainable graduation. ■

Prof. Rahman is Distinguished Fellow at Centre for Policy Dialogue (CPD), Dhaka and former Professor at University of Dhaka. This paper draws on a recent study titled 'Upcoming WTO MC12: Securing Interests of Bangladesh and Other Graduating LDCs' prepared by the author for the Friedrich-Ebert-Stiftung (FES) Bangladesh office.

Notes

1 Before the pandemic, Bhutan was recommended for graduation in December 2023 and Bangladesh and Nepal were expected to be recommended for graduation in 2024 at the review meeting of the Committee for Development Policy (UN-CDP) in 2021. However, the CDP recommended deferment of LDC graduation for Bangladesh and Nepal till 2026. The other non-graduating LDC in the region is Afghanistan.

2 UNCTAD. 2020. *The Least Developed Country Report 2020: Productive Capacities for the New Decade.* Geneva: United Nations Conference on Trade and Development.

3 In case of Bangladesh, remittance flows experienced a robust growth of 18 percent in 2020 compared to 2019, while for Nepal the flows picked up in Q4 of 2020 (about 3.5 percent growth).

4 Bhattacharya, Debapriya. and Fareha R. Islam. 2020. "The COVID-19 Scourge: How affected are the Least Developed Countries? OECD Development Matters". https://oecd-development-matters.org/2020/04/23/the-covid-19-scourge-how-affected-are-the-least-developed-countries/

5 United Nations. 2011. "Programme of Action for the Least Developed Countries for the Decade 2011–2020." Fourth United Nations Conference on the Least Developed Countries, Istanbul, Turkey, 9–13 May 2011.

6 Non-RTA members will have to enter the relevant markets by paying the general, most-favoured nation (MFN) tariffs.

7 Rahman, Mustafizur. 2021. "Securing Sustainable LDC Graduation: Addressing the Next Challenges for Bangladesh in Bangladesh". *Foreign Policypaedia* (Volume 11) [Forthcoming].

8 Rahman, Mustafizur and Debapriya Bhattacharya. 2020. "Sustainable Graduation: International Support Measures for Graduating LDCs." *International Trade Working Paper, No. 2020/10.* London: Commonwealth Secretariat.

9 WTO. 2020. *Trade impacts of LDC graduation*. Geneva: World Trade Organization.

10 Rahman, Mustafizur and Bari. Estiaque 2018. "Pathways to Bangladesh's sustainable LDC graduation: Prospects, challenges and strategies." In *Bangladesh's Graduation from the Least Developed Countries Group: Pitfalls and Promises* edited by Debapriya Bhattacharya. London: Routledge.

11 For, example, in the EU, for apparels the tariff reduction as applicable for developing countries is only 15 per cent, as against 100 per cent for the Everything But Arms (EBA) initiative for the LDCs.

12 For apparels, the general GSP scheme of the EU requires a two-stage transformation (yarn to fabrics to RMG).

13 *ibid*. Note 8.

14 ICTSD. 2018. Advancing Multilateral Trade Negotiations on Fisheries Subsidies. https://ictsd.iisd.org/themes/environment/research/advancing-multilateral-trade-negotiations-on-fisheries-subsidies

15 This was agreed at the June 8-9, 2021 meeting of the TRIPS Council. The EU agreed to change its initial stance. However, it has put forward an alternative proposal that stipulates use of existing WTO mechanisms, particularly compulsory licensing.

Repositioning Aid for Trade discourse in the context of LDC graduation

While Aid for Trade remains an important source of financing trade development priorities, the recipients should start exploring other avenues for resource mobilization.

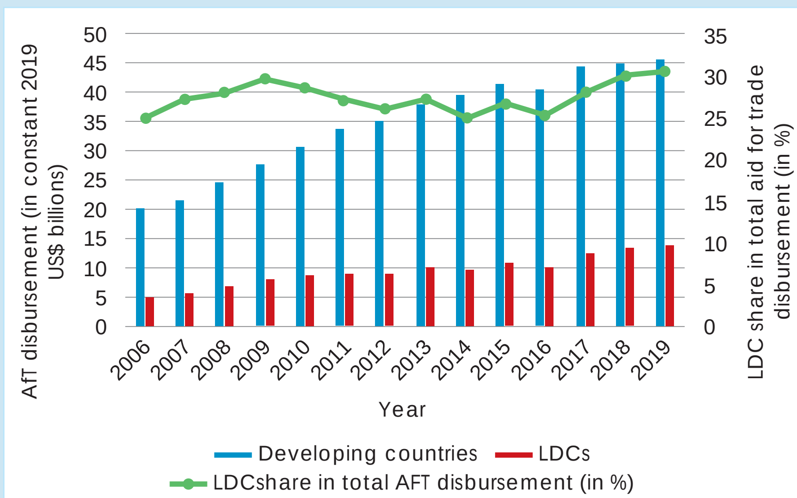
Ratnakar Adhikari

Graduation of least-developed countries (LDCs) picked up momentum after the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (referred to as Istanbul Programme of Action, or IPOA) set the target of halving the number of LDCs by the end of 2020.[1] This, in part, has contributed to the recent graduation of Vanuatu, and has prepared 11 other LDCs for graduation in the coming decade. Additionally, five LDCs that have met the graduation criteria for the first time are also on the path to graduation.[2]

As the number of graduating LDCs increases and their graduation dates near, they have been expressing concerns about the 'sustainability' of their graduation. Their 'fear of the unknown' is the uncertainty and unpredictability of the continuity of the international support measures (ISMs), which they have extensively utilized, after they graduate out of the LDC status.[3]

Of several ISMs, two prominent ones are trade preferences and official development assistance (ODA), of which Aid for Trade (AfT) is a part. Extensive work has already been done in the area of trade impact of LDC graduation as well as the impact on ODA.[4] This article focuses on the

Figure 1
Share/ratio of loan/grant in total AfT disbursement to the LDCs (2006-2019), US$ 2019 constant prices.



Source: OECD Query Wizard for International Development Statistics (QWIDS) (accessed 13 September 2021).

impact of LDC graduation on AfT and proposes some path forward to mitigate the potential challenges.

Aid for Trade

AfT has been growing since 2006 (Figure 1, page 28). Furthermore, the share of AfT to LDCs in the overall AfT disbursement has also been generally increasing, barring a few years (Figure 1).

AfT includes both grants and loans[5] and LDCs, particularly those in serious debt distress, prefer grants to loans due to the debt creating nature of the latter. However, the share of loan in AfT has always remained high and has increased in the recent past.

As Figure 2 shows, the share of loan in AfT, which was as low as 33 percent immediately following the launch of the AfT initiative, increased precipitously after 2011 and was almost double (59 percent) in 2019. The share of grant shows an exactly opposite trend; starting with a high share of 69 percent in 2006, it reached 41 percent in 2019. This has made the loan component almost 1.5 times the grant component in the total AfT disbursed to LDCs. The trend seems to suggest that the grant component will reduce further in the future; hence, graduating countries may not lose significantly on their overall grant receipt after their graduation. However, looking at the scenarios of four recently graduated countries (Figure 3.a, 3.b, 3.c and 3.d, page 30), it is difficult to discern a particular pattern, let alone trend.

While the share of loan in AfT has remained high in most of the years for Cabo Verde, particularly following its graduation in 2007, the opposite pattern is visible in the case of Samoa. After its graduation in 2014, the share of grant increased, reaching a high of 79 percent in 2019.

In the case of the Maldives, the share of grant has been higher during most of the years and particularly after its graduation in 2011. Extreme example is that of Equatorial Guinea, which has received AfT only in the form of grant, except in 2012. Its graduation in 2017 seems to have had no effect on AfT receipt whatsoever. This suggests that the fear expressed by some LDCs that their share of loan vis-à-vis grant in AfT would increase after graduation is unwarranted.

In the case of Cabo Verde, where the share of loans have been higher, the outcome is probably influenced by the category of support provided. It is common for donors to provide most of the hardware support (economic infrastructure and building productive capacity) in the form of loans and software support (trade policies and regulations) in the form of grants.

In Cabo Verde, as shown in Figure 4 (page 31), almost all the AfT support (more than 99 percent) has been for the hardware. Since the type of support has not changed much over the years, this could potentially mean that donors are providing more assistance in the form of loan following graduation. However, this warrants a more thorough investigation informed by insights from country sources before drawing a firm conclusion.

Conventional sources of finance

LDCs should take cognizance of the fact that regardless of the status of LDCs in the graduation ladder, AfT is eventually going to decrease. Therefore, besides leveraging AfT, other sources of financing are equally, if not more, important. Consequently, graduating LDCs should explore and tap into other sources of finance, some of which are discussed below.[6]

Domestic resource mobilization

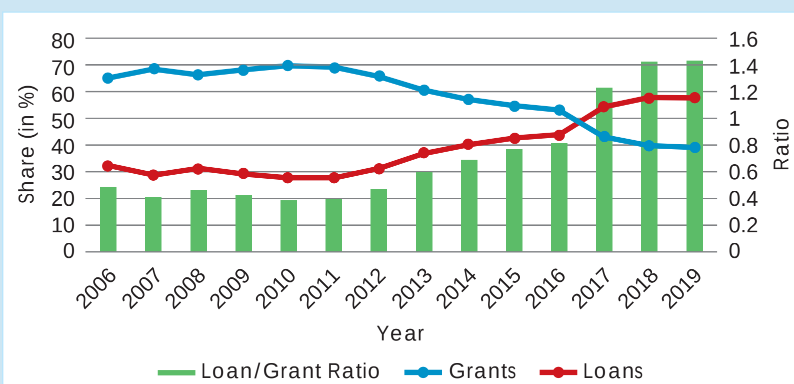
Although it is difficult to make any valid comparison, it appears that the majority of graduating countries have a higher tax revenue-to-GDP ratio than the world average, and three of them (Kiribati, Nepal and Vanuatu) have improved their domestic resource mobilization capacity in the recent past (Figure 5, page 31). Timor-Leste is an outlier as its tax revenue seems to have deteriorated due to massive reduction in petroleum-related taxes.[7]

Another outlier, not shown in the figure, is Bangladesh, where tax revenue to GDP in 2020 was 9.3 percent. Tax evasion is considered to be a major culprit for this.[8] Bangladesh, in its Eighth Five-Year Plan, has set the target of raising the tax-GDP ratio to 14.2 percent by 2025.[9]

Thus, overall, LDCs, including graduating ones, have done a relatively good job in mobilizing domestic resources, although there is considerable room for improvement. Graduating LDCs that have made considerable progress in increasing tax revenue are nowhere close to LDCs such as Lesotho and Mozambique where tax revenue as a percentage of GDP was

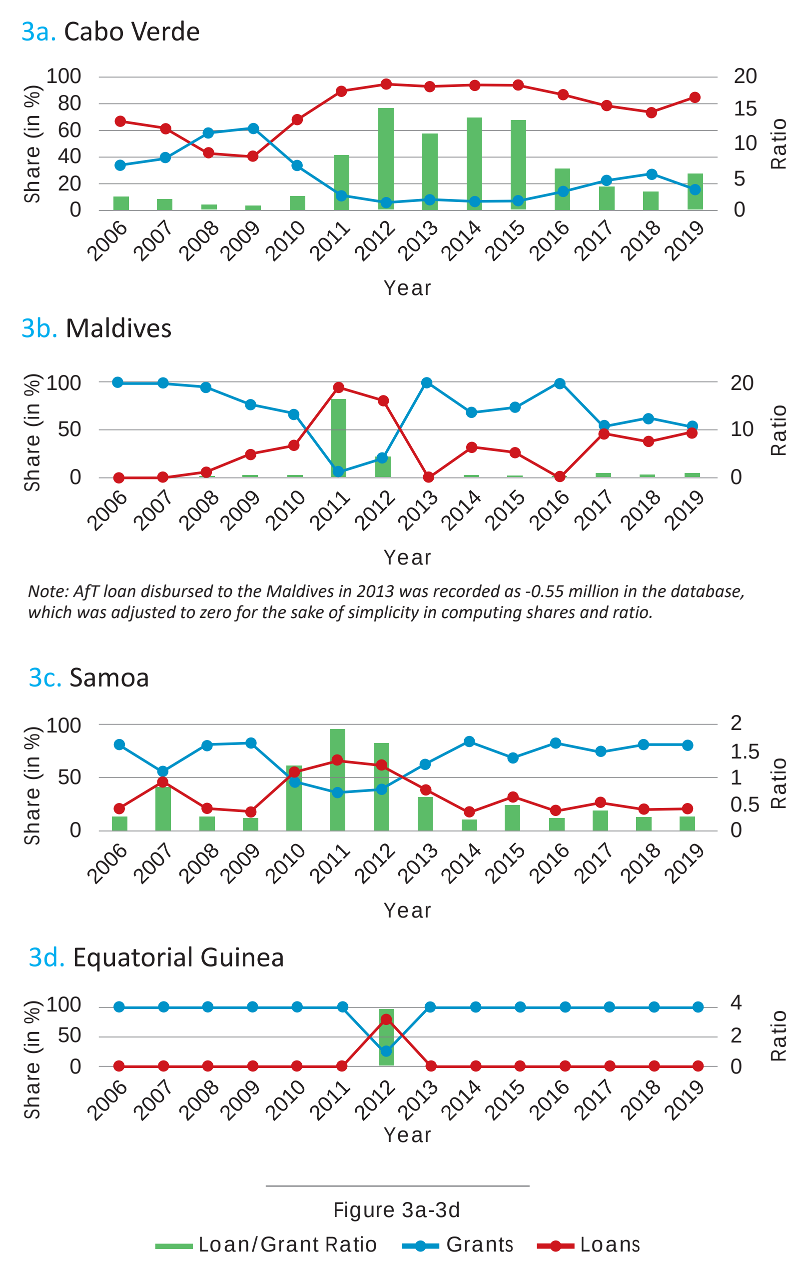
Figure 2

Share/ratio of loan/grant in total AfT disbursement to the LDCs (2006-2019), US$ 2019 constant prices.



Source: OECD QWIDS (accessed 13 September 2021).

Figure 3
Share/ratio of loan/grant in total AfT disbursement (2006-2019), US$ 2019 constant prices.



Note: AfT loan disbursed to the Maldives in 2013 was recorded as -0.55 million in the database, which was adjusted to zero for the sake of simplicity in computing shares and ratio.

Source: OECD QWIDS (accessed 13 September 2021).

32.9 percent and 27 percent, respectively, in 2019.[10]

Indeed, country-specific challenges cannot be brushed aside, as is evident from the case of Bangladesh discussed above. However, with targeted interventions aimed at reforming the fiscal system and legislation, including increasing tax bases (not necessarily rates) and ensuring greater compliance, graduating LDCs can increase their government revenues. This is a clearly more sustainable means for supporting trade development priorities rather than relying on external assistance.

Foreign direct investment

Foreign direct investment (FDI) has been a major source of financing trade development, even before AfT entered the economic lexicon, and it will remain so in the future. Global FDI inflows in 2019 was 22 times higher than total AfT disbursement.[11] Moreover, global FDI inflows increased by 461 percent in the past two decades and inflows to the graduating LDCs increased by slightly more (491 percent).[12] Inflows to recently graduated countries increased by a whopping 1,496 percent, although there are considerable variations among the graduated countries with outliers such as the Maldives (up 4,238 percent) and Samoa (up 84 percent).[13]

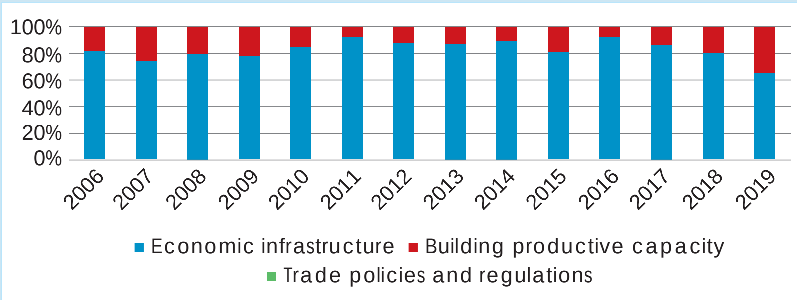
That said, COVID-19 has resulted in a reduction of global FDI inflows by 35 percent to US$1 trillion. Moreover, FDI inflows are forecasted to remain sluggish in 2021 and 2022.[14] This is despite the fact that FDI inflows to LDCs as a group remained stable in 2020 at US$24 billion (up by 1.4 percent from 2019), supported by a 7 percent hike in Africa. Yet, at the country level, FDI declined in 25 LDCs, including the top five recipients among the LDCs (Cambodia, Bangladesh, Ethiopia, Mozambique and Myanmar).[15]

As FDI is increasingly becoming an important source of funding infrastructure and productive capacity building, graduating LDCs should make every possible effort to tap into this source of financing. A number of graduating countries have done extremely well on this front.

As shown in Figure 6 (page 32), while the average global FDI as a percentage of GDP was 4.2 percent in 2019, the figure was higher for countries such as Cabo Verde, São Tomé and Príncipe, the Maldives, and Vanuatu. Equatorial Guinea, Lao PDR, and Myanmar, too, did relatively well. This does not, however, mean that all

Figure 4

AfT share (for each type of support) for Cabo Verde (2006-2019)



Source: OECD QWIDS (accessed 13 September 2021).

LDCs and recently graduated countries are in a good shape, as the figures for outliers such as Bhutan, Tuvalu and more importantly Angola show. Angola has witnessed a significant withdrawal of FDI in the recent past.

For these countries to attract and retain more and high quality FDI, they need to put in place a sound business environment, follow a strategic approach to attracting FDI,[16] and focus on FDI promotion, including aftercare services. To this end, the Enhanced Integrated Framework (EIF) and the World Association for Investment Promotion Agencies (WAIPA) have established a targeted programme aimed at actively assisting investment promotion agencies from the LDCs. The programme helps build the capacity of investment- and trade-related institutions in the LDCs, considering the diverse needs of the various LDCs with respect to FDI attraction and facilitation during this unprecedented COVID-19 crisis.[17]

South-South AfT

Mobilizing AfT resources—both grant and concessional loan—from South-South development partners can be an important avenue to reduce the shortfall in trade-related external development assistance. However, lack of data and absence of recent literature in the area makes it difficult to ascertain the modality, extent, and quality of South-South AfT, although Organisation for Economic Cooperation and Development (OECD) reports on South-South Trade-Related Cooperation focusing on China[18] and India[19] may offer some, albeit dated, perspectives.

Three common principles that both these countries' development assistance follow are: i) they do not want to be seen as donors, but as partners in helping beneficiary countries, not only by providing direct financial support, but also through technical assistance, training and capacity building opportunities; ii) most of their development assistance, including AfT, are provided through the bilateral channel and their support to multilateral institutions are limited, at best; and iii) while grants are provided directly through the government channel, concessional loans are provided through their Export-Import Banks and other parastatal financial institutions.

India has been providing significant development assistance to its neighbouring countries in South and South-West Asia as well as to Africa, of which Bhutan is the largest recipient. Of the total development assistance (approximately US$966 million) proposed for 2021-2022 by the Government of India, 42 percent has been set aside for Bhutan.[20]

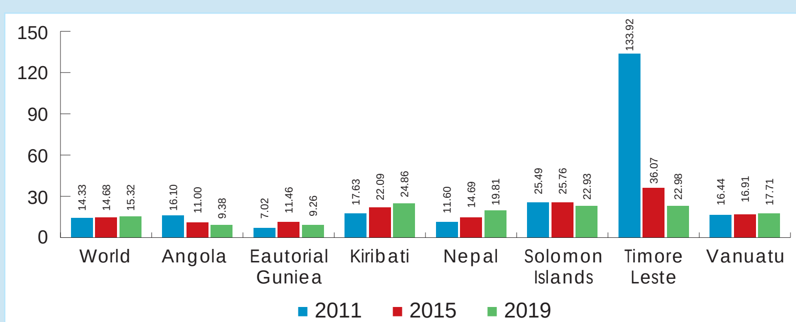
China's development assistance is channelled in a more diversified manner. For example, between 2013 and 2018, China extended assistance to 20 regional and international multilateral organizations and 122 countries across the world—30 in Asia, 53 in Africa, nine in Oceania, 22 in Latin America and the Caribbean, and eight in Europe.[21]

Innovative sources of finance

Several LDCs and recently graduated countries have the potential to mobilize two important sources of financing to fund their trade development priorities—impact investment and blended finance, which are discussed below.

Figure 5

Tax revenue as percentage of GDP in select LDCs and recently graduated countries



Source: World Development Indicators (accessed 9 September 2021). Note: Comparable data for the same period as that of AfT presented are available for only two graduating countries (Angola and Nepal) and a graduated country (Equatorial Guinea) for the entire period. Therefore, only data for the initial period (2011), middle-period (2015) and final period (2019) are presented.

Impact investment

Impact investments are made with the intention to generate positive and measurable social and environmental impact alongside financial return.[22] Impact investors can be fund managers, development finance institutions, financial institutions/banks, private foundations, pension funds and insurance companies, non-governmental and philanthropic organizations and families/individuals who would like to see a wide variety of impacts through their investments. These investments may take various forms—grants to guarantee to equity investments.[23]

A 2020 survey of the world's leading impact investors estimates the impact investment market at US$715 billion in 2019,[24] which is almost 16 times higher than the AfT disbursed to all the developing countries during the year. With increasing commitments of individuals and institutions to sustainable development goals and urgent needs to tackle global problems such as health and climate emergencies, this figure is likely to increase in the future. In fact, the survey found that leading impact investors hold a positive outlook for the future despite COVID-19-related headwinds.[25]

Some graduating LDCs have already been making use of impact investment to advance their development agenda, including trade development priorities. For example, between 2007 and 2017, in South East Asia, Myanmar signed 36 impact investment deals worth US$1,352 million, predominantly in the micro-finance area, followed by Lao PDR, which signed 13 deals worth US$316 million, mostly in the clean energy sector. Timor-Leste signed only one deal worth US$1.5 million, which focuses on micro-finance.[26]

In South Asia, Bangladesh mobilized US$955 million in impact investment between 2009 and 2014, predominantly in the information and communications technology, energy, and manufacturing sectors. Nepal was able to mobilize limited impact investment worth US$17.3 million, mainly in the transport and tourism sectors. After the establishment of Dolma Impact Fund, there have been investments in hydropower, technology, and e-commerce, although the sizes of these investments are not publicly available.[27]

Blended finance

Blended finance is a way to utilize the catalytic nature of public and philanthropic funds to attract private investment in sustainable development in developing countries[28] by minimizing risk for the latter and enhancing the viability of the project/venture. By creating different layers of risks and returns, blended finance allows all investors to partake in the investment opportunity with the 'first loss layer' covered by public investment (e.g., government, AfT donors, and philanthropic organizations), and then 'senior layers' on top being supported by private investors (individual investors, banks, and other financial institutions).[29]

Blended finance presents growing opportunities to mobilize additional private finance, which, for example, has resulted in US$205 billion of private finance mobilized between 2012 and 2018.[30] Despite the potential, during the corresponding period, LDCs received a minimal share of blended finance (7 percent of the total)[31], whereas upper-middle-income countries and low- and middle-income countries received much higher shares.[32]

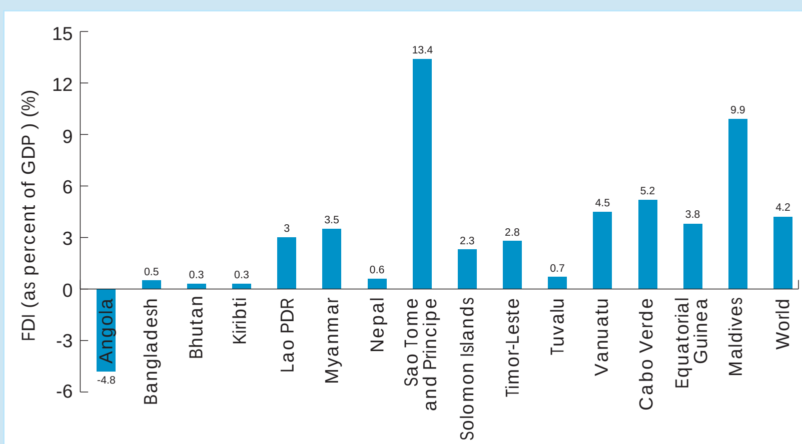
Energy, banking and financial services, and industry, mining and construction sectors account for over 63 percent of the total volume of blended finance received by LDCs in 2017-18 as it is easier to identify revenue-generating projects in these sectors that would attract private investors. However, Bhutan has mobilized investment in *Mountain Hazelnuts*—an enterprise established to encourage hazelnut production through contracts with smallholders across the country. While the 'first loss layer' of US$6 million was invested by the Global Agriculture and Food Security Program (GAFSP), the 'senior layer' was supported by the Asian Development Bank and International Finance Corporation, with a US$3 million equity contribution from each.[33]

Concluding thoughts

While AfT will continue to remain an important source of financing trade development priorities, regardless of a country's status in the graduation ladder, the recipients should start exploring other complementary avenues

Figure 6

FDI (as percent of GDP) (world, graduating LDCs and recently graduated countries), 2019



Source: UNCTAD's 2020 e-Handbook of Statistics: Foreign direct investment.

for resource mobilization to finance their trade development priorities if they have not already done so.

As discussed above, LDCs in general and graduating LDCs in particular have done reasonably well in mobilizing domestic resources as well as other sources of external financing such as FDI. In order to continue financing their trade priorities, in particular infrastructure and productive capacity, which have assumed even greater significance in the context of COVID-19, they should leverage it for mobilizing additional resources. More importantly, they should explore and tap into other sources of financing such as South-South AfT, and innovative non-sovereign form of financing. Time is, therefore, ripe for repositioning AfT discourse to include the elements of leveraging emerging sources of finance by harnessing the catalytic potential of AfT as well as building capacity of LDCs to access such resources.

However, challenges for mobilizing these additional resources are similar for most categories of countries discussed here, such as credible economic reforms, sound policies and institutions, improvement in the business climate, transparency and predictability, and capacity building. Fortunately, overcoming these challenges is within reach of most graduating LDCs and recently graduated countries. ■

Dr Adhikari is Executive Director, Executive Secretariat for the Enhanced Integrated Framework Secretariat at the World Trade Organization. Views expressed in this article are solely those of the author's and do not reflect the view of the Enhanced Integrated Framework, the World Trade Organization and their Members. *The author would like to thank Stephen Fevrier, Shishir Priyadarshi, Michael Roberts and Puspa Sharma for useful comments and Kshitiz Dahal and Swastik Aryal for valuable research assistance.*

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5 Provided it has at least a 25% grant element. See: Organisation for Economic Co-operation and Development (OECD). n.d. "Aid for Trade (Frequently Asked Questions." https://www.oecd.org/aidfortrade/frequentlyaskedquestions/

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9 *ibid*.

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32 OECD/UNCDF. 2020. *Blended Finance in the Least Developed Countries 2020: Supporting a Resilient COVID-19 Recovery*. Paris: OECD.

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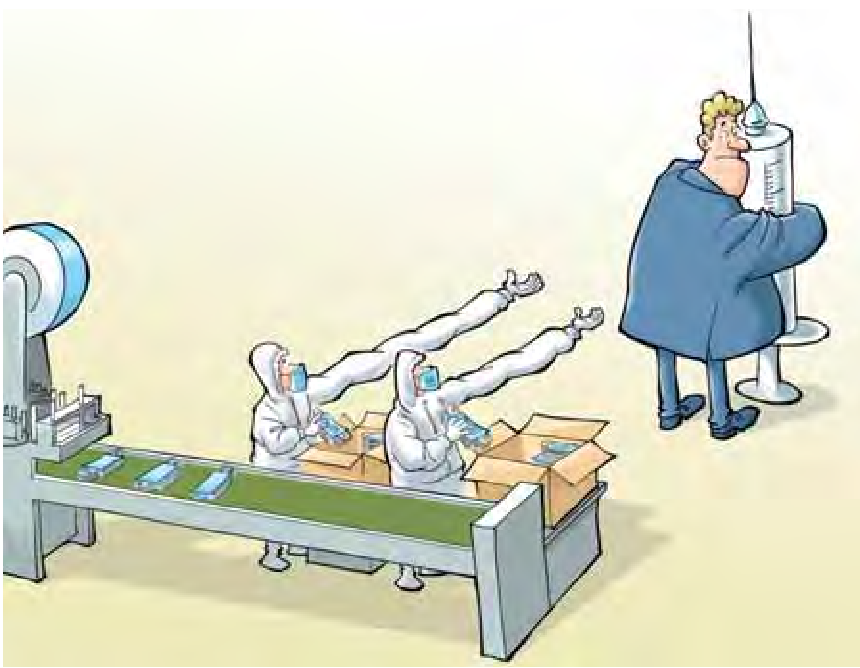
Global vaccine inequality

Sri Lankan apparels as a litmus test?

The pandemic has glaringly exposed how preoccupations with technical safety and audit regimes do not cover the health and well-being of blue-collar workers.

Kanchana Ruwanpura

Until recently Sri Lankan apparels was the poster child of the global garment industry. The country is considered a frontrunner in upholding global governance regimes and maintaining ethical supply chains. Likewise, when the COVID-19 pandemic was declared, unlike its neighbouring suppliers in South Asia, Sri Lankan apparels makers were quick to shift gear and start manufacturing Personal Protective Equipment (PPE). Additionally, tripartite agreements—between the government, labour union and employers—were reached to offer wage support to workers, irrespective of whether they were able to work or not.[1] Sri Lankan apparels once again appeared to be ahead of the curve.



How then did a year later a Human Rights Watch (HRW) report called for protecting the safety and labour rights of the Sri Lankan garment sector workers?[2] Why did Sri Lankan apparels fall from grace so quickly, despite a start that suggested continued lead status? In this article I focus on the ways in which global governance and ethical codes are mere rhetoric alongside global vaccine inequality, especially when coupled with local structures neglecting the productive/reproductive capacity of workers.

The 2021 HRW report underlines a number of key factors that have come together locally in Sri Lanka to undermine the rights of workers and place their health and safety in jeopardy.[3] These include: a) order by the President and COVID-19 Task Force to keep garment factories open; b) BRANDIX factory cluster and community transmission; c) employers under-reporting and under-testing to uphold factory production; and d) congested living conditions that exacerbate risks associated with the transmission of the COVID-19 virus. The HRW also calls for brands, employers and the Sri Lankan government to protect the rights of workers. However, in such a plea, the role of global governance, ethical trading practices and the issue of global vaccine inequality—and its bearing on garment sector workers, whether in Sri Lanka or elsewhere in South Asia—are left out.

The Sri Lankan government, brands and employers have a role to play in protecting workers' safety and rights at work, but it would be a remiss to not make connections to the architecture of global ethical codes and global vaccine inequality in such an appeal. A focus on these would help better appreciate the underlying structural conditions that propelled Sri Lankan apparels to falter during this phase. Although challenging, the pandemic has also shed a light on some inbuilt systemic factors of the Sri Lankan apparel sector.

Sri Lankan apparels' frontrunner status during the pandemic appeared to be sealed when a tripartite agreement was reached on protecting jobs, agreeing to a minimum wage package and a furlough scheme early during the pandemic.[4] Moreover, Sri Lanka's swift shift to PPE production was a real boost to the industry, with the International Labour Organization (ILO) reporting that Sri Lanka was placed only second to China for PPE exports during the January-June 2020 period.[5] Leading industrialists themselves either self-promoted this shift in manufacturing or was reported by the media as a feat.[6] It appeared that Sri

Flickr

Lanka's early entry into value added production played a pivotal role in making this shift into PPE—largely a complete new production line for the sector. This change in and of itself may not have been a deleterious decision for workers, since at the inception there appeared to be various steps taken to protect the health and safety of workers on the production floor. Apparel manufacturer MAS Holdings, for instance, early on offered a visual representation of the safety steps taken in their promotional video clip entitled *Doing the Right Thing*, signalling both the boldness of the shift to manufacturing PPE while aiming to protect the health and safety of workers. Likewise, tripartite agreements also honed in on setting up bipartite health committees. These are all laudable steps that ought to have kept the Sri Lankan apparel industry and its workers in a strong place. However, as the pandemic persisted, by October 2020, these initial gains faltered and the COVID-19 Task Force neglected the value of occupational safety.[7] Thus, by June 2021, the dismal situation of Sri Lankan apparel sector workers gained attention.[8]

In trying to appraise factors that led to this situation, some answers pinpoint to stubborn structures that persist despite two decades of global governance initiatives. Ethical trading and voluntary corporate codes aim to manage production sites across the global supply chain. Sri Lankan apparels is often considered commendable in this regard, so much so that a branding exercise initiated by the sector, *Garments without Guilt*, often carried weight amongst high street retailers, the media, academics, and policy circles alike.

Yet, a key area that the sector neglected within the ethical code regime is in the sphere of living wages. This disregard is also due to multiple ethical and voluntary corporate codes that cloud efforts at uplifting the economic conditions of workers, since codes themselves vary from calling for minimum national wages (often below living wages) to the rare articulation of living wages.[9] This broad scale offers leeway for suppliers to pay the national minimum wage and yet fall short of paying living wages; so, even as Sri Lankan apparels often pay above minimum wages, in a bid to recruit and retain labour, these wages fall below a living wage, accounting for the cost of both productive and reproductive labour.[10] This discounted labouring has meant workers, especially those labouring for Free Trade Zones (FTZ) have had to live in overcrowded and often unhygienic dwellings that have become ideal breeding ground for the spread of COVID-19.[11] Equally crucial is the tripartite agreement reached to pay workers 50 percent of their basic wage or LKR 14,500 (whichever is more beneficial to the worker). This further deteriorated the economic position of garment sector workers and caused severe economic hardship.[12]

It is as if the Sri Lankan government and the COVID-19 Task Force were completely unaware of the economic realities and living circumstances of garment sector workers; so, while they were treated as essential workers, they were not designated as such. Consequently, although the group was expected to produce PPE through lockdowns and curfews, they were not offered the relevant protection as frontline workers. The upshot was to expose garment workers to contracting COVID-19. While the sector may have taken steps to protect safety conditions at production premises, the pressures of production processes and the global supply chain have caused short-sighted management decisions that have put apparel workers at risks through the past months. The BRANDIX factory fall out of the COVID-19 cluster and its eventual link to community transmission were the most significant.

Add to this potent mix the persistence of global and local vaccine inequality and the risks to apparel sector workers, in Sri Lanka and much of South Asia (and beyond), are then compounded. Within Sri Lanka, efforts by Sri Lanka's leading apparel sector body to inoculate workers at their own cost was disregarded and not supported by the Sri Lankan government.[13] Locally, a constellation of local political dynamics led to a vaccination programme that is class inflected and coloured by political patronage as workers were relegated to third class status. Unequal, rather than universal, vaccine access was the undercurrent shaping the initial phases of Sri Lanka's vaccination programme.

The possibility for these local dynamics to become pronounced is also linked to global vaccine inequality that shapes living in the global South, Sri Lanka included. It has heightened the risks under which garment workers labour, whether sewing PPE or fashion garments. Unequal vaccine access has placed apparel sector workers' health under duress in the COVID-19 context. The fact that this occurs, despite the health and safety being covered by global governance regimes, across both multi-stakeholder initiatives and voluntary corporate codes, reveals its tenuousness. The pandemic has glaringly exposed how preoccupations with technical safety and audit regimes accentuated by health and safety protocols within ethical trade codes have limited efficacy. This is because it does not cover the health and well-being of blue-collar workers, which requires greater attentive to uneven structural dynamics. More importantly, the inability on the part of Western countries to ensure global vaccine equality ultimately puts at peril the health and lives of workers that sew crucial protective gears, which keep medical personnel in the EU, US and UK safe.

> Without advocating for global vaccine equality, claims of ethicality when producing PPE and fashion wear ring hollow.

Current academic interventions on PPE production have focused on its links to forced labour.[14] This is only a partial analysis when the health and lives of workers are fundamentally at risk, given global vaccine inequality. Without advocating for global vaccine equality, claims of ethicality when producing PPE and fashion wear ring hollow, since workers need their health and lives protected as a basic human and collective right. The absence of recognizing the need to protect the health of workers in faraway locations, who keep Western life and medical teams protected through hard and risky labour manufacturing involved in, is otherwise another calamity unfolding amidst a pandemic. And yet, it tragically remains neglected by multi-stakeholder initiatives, public procurement authorities and retailers alike, who have so far shied away from making a clarion call for global vaccine equality, as it also matters to protect worker health. ■

Dr Ruwanpura is a Professor of Human Geography at the University of Gothenburg. *A Jubileeum Foundation grant, awarded by the School of Economics, Business and Law at the University of Gothenburg, Sweden, facilitated the preliminary research for this writing.*

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National Quality Policy and Nepal's LDC graduation

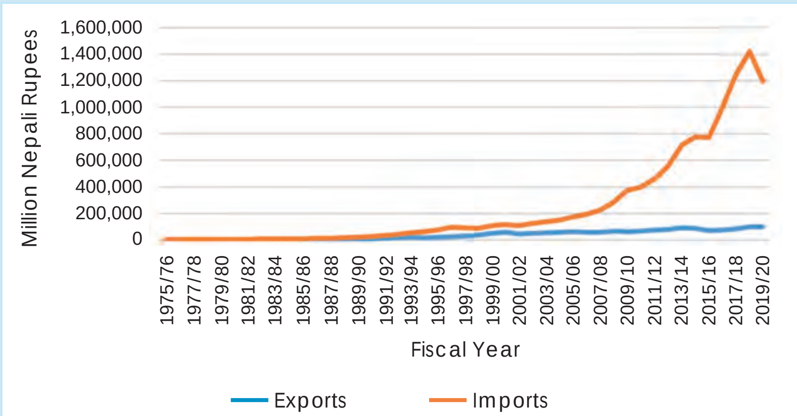
Formulation of national quality policy is necessary to support Nepal's export sector in its transition towards post-LDC graduation trade regime.

Kshitiz Dahal

Enhancing export performance has been an aspiration of Nepal's government and private sector for a long time. Increased export performance has been linked to economic growth, productivity increases, better employment opportunities, and overall sustainable development. However, different plans, policies, strategies, regulations, and interventions of the government, private sector, and development partners have not resulted in desirable export performance of the country. Export data shows a dismal export performance. On a year-to-year basis, exports are either declining, stagnant, or show an occasional slight increase, particularly in the years since 2010-11; but, imports have skyrocketed in the period, creating a huge trade imbalance (Figure 1). Furthermore, the increase in exports since fiscal year (FY) 2017-18 has been primarily because of two products—refined palm oil and soyabean oil. However, these two products witness minimal value additions in Nepal, are exported based on favourable tariff differentials (with India) and not because of competitiveness, and are vulnerable to trade policy changes in India. The exports of refined palm oil has already dropped to zero after India tightened the imports.

Nepal's exports also need to be viewed in terms of Nepal's impending

Figure 1
Nepal's trade performance



Source: Author, using data obtained from Nepal Rastra Bank.

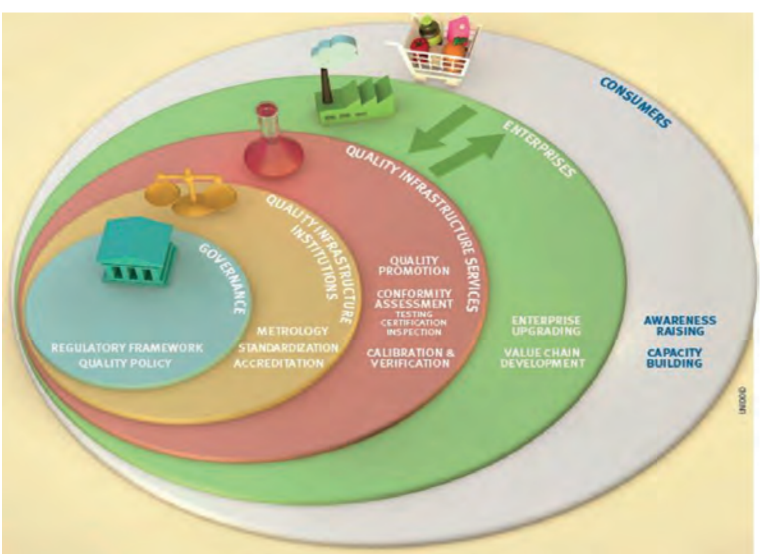
graduation from the least-developed country (LDC) category.[1] LDC graduation is a testament to Nepal's development achievements and overall macroeconomic and socioeconomic stability, and hence should be cherished. At the same time, it will also mark a loss or dilution of trade preferences that Nepal has been getting by the virtue of being in the LDC category. For instance, preferential tariffs that allowed for better market access in several destinations will no longer be applicable, rules of origins will be more stringent, which will deteriorate market access, and special and differential treatment such as the waiver of provisions related to intellectual property will cease to exist.[2]

Some policy interventions, in various sectors, from enhancing productivity to easing supply-side constraints and engaging in fruitful negotiations, are needed to prevent the export sector from taking a downfall due to the LDC graduation. Among the many policy interventions, this brief article argues for a formulation of national quality policy (NQP) for enhancing Nepal's exports.

An important trend in the international trade landscape, for the last few decades, particularly since the birth of the World Trade Organization (WTO) in 1994, has been the decline of tariffs but a significant rise of non-tariff measures (NTMs)[3] as significant barriers to trade. Tariffs for most of the commodities have fallen significantly while the number of products attracting NTMs as well as the number of NTMs attracted by products has proliferated. The most common NTMs are related to the standards/quality of products and procedures required to show that the standards are met (conformity assessment procedures such as inspection, testing, and certification), primarily represented by NTMs classified as sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT). What makes these measures special is that these are legitimate measures under the WTO regime—SPS measures intend to protect the life and health of humans, animals and plants, and TBT measures intend to protect consumer rights (protection of consumers from deceptive practices), public health, environment, national security, among others. However, they pose an undue burden, particularly to the exporters of LDCs and developing countries who have a poor capacity for meeting the technical regulations (mandatory standards) and showing compliance with these technical regulations.

Figure 2

National quality infrastructure system



Source: UNIDO[6]

Why is there a need for NQP in Nepal?

Studies have shown that Nepali exporters face many constraints related to standards/quality.[4] The inability to meet standards or show compliance results primarily from a poor state of national quality infrastructure (NQI) system. NQI is the totality of infrastructure, institutional arrangement as well as physical infrastructure, that determines standardization and the availability and quality of standard-related facilities such as metrology, accreditation, and conformity assessment tools (inspection, testing, and certification)[5] (see Figure 2).

An NQP is thus needed to enhance the currently dismal NQI and enhance export performance. Improvements in NQI will decrease the time and cost of international trade for many products and make possible the export of products that could not be exported previously because of inability to comply or prove compliance with the technical regulations of the destination country. NQP achieves these desirable outcomes by identifying Nepal's unique needs through an assessment of both the international NQI environment and Nepal's NQI environment, then developing a best practice model for its context.[7]

The development of NQI will thus provide a detailed strategy for the mitigation of current shortcomings in the NQI. For instance, it will develop effective plans for enhancing the conformity assessment infrastructure that will obviate the current costly need among many exporters to get their products tested and certified in accredited laboratories outside Nepal. Furthermore, its plans related to improved standardization will resolve the current issues such as delays in

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the standardization process and gaps in standards when assessed against international benchmarks. It will also contribute to improving the currently poor institutional capacity, including human resources, that is impeding the development of NQI. Furthermore, it will also improve the currently poor state of accreditation services in Nepal, which is compelling exporters to look for accredited services elsewhere. Finally, it could develop a feasible plan for a gradual decentralization of major components of NQI[8]—standardization, conformity assessment, and accreditation—a superior model that will build more trust for the quality infrastructure services in Nepal.

Hence, the development of NQP, by strengthening the currently inadequate NQI, can be essential in improving export performance. Besides reducing the time and cost of international trade and making possible the export of products that could not be exported before due to standard/quality issues, the NQP could also open new doors for export enhancement. For instance, the improvement of the quality environment in the country can help Nepali exporters better integrate with the global value chains (GVCs). A major component of GVC trade is the trade of intermediate products that have to comply with the GVC standards. Likewise, the enhanced capacity of conformity assessment institutions will help Nepal conduct mutual recognition agreements (MRAs) with its important trade partners and hence ease the export flows by eliminating current constraints such as increased time and cost through duplication of testing and duplication of certification, and rejection of exports due to standards/quality issues.

Nepal is scheduled for LDC graduation in 2026. Nepal may be able to negotiate a favourable transition for a few additional years. Hence, Nepal has about 10 years to prepare for its transition into a changed trade regime where many of its current preferences will erode. Since the development of efficient national quality infrastructure is a gradual process, it is an opportune time for Nepal to formulate a national quality policy so that it gradually develops its national quality infrastructure and, hence, the imminent preference erosion will be balanced by an increased export competitiveness. ■

Notes

1 United Nations (UN) classifies countries with the lowest level of socio-economic development into the least-developed (LDC) category. Currently, there are 46 LDCs. Nepal has been recommended for graduation from the LDC group in 2026.

2 For more on the impact of LDC graduation in the context of Nepal, see: Razzaque, Mohammad A. 2020. "Nepal's graduation from the least developed country group: potential implications and issues for consideration." *Working Paper WP/20/0*1. Bangkok: United Nations Economic and Social Commission for Asia and the Pacific (ESCAP).

3 United Nations Conference on Trade and Development (UNCTAD) defines NTMS as "policy measures, other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or process or both."

4 ADB. 2019. *Potential Exports and Non-tariff Barriers to Trade: Nepal National Study*. Manila: Asian Development Bank; ITC. 2017. *Nepal: Company Perspectives (An ITC Series on Non-Tariff Measures)*. Geneva: International Trade Centre.

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8 Currently, all the three important pillars of NQI fall under the domain of Nepal Bureau of Standards and Metrology (NBSM) or Department of Food, Technology and Quality Control (DFTQC) when it comes to agricultural and food products.

Agriculture, inter-sectoral inequality and the global trade regime

A South Asian perspective

The global community must ensure that developing and least-developed countries can guarantee access to food for all while their farmers get reasonable returns.

Nitya Nanda

The reduction of inequality within and among countries is one of the 17 sustainable development goals (SDGs) adopted by the United Nations in 2015. While this articulation, as reflected in SDG10, takes into account all forms of inequality, it is well recognized that economic inequality is the fountainhead of or exacerbates many other forms of inequality. It is also well recognized that a small group of people own too much of the world's wealth, whereas a large number has to manage with too little, keeping them in perpetual poverty. Keeping this in view, SDG10 has identified its first target as, "by 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average". As a matter of fact, 'leave no one behind' has been the overarching theme of the 2030 Agenda.

Over the last few decades, inequality has increased in most countries.

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However, what happened to inequality across countries depends on how one looks at it. Population-weighted inequality across countries has declined a bit; otherwise, it remains almost the same.[1] Global inequality across countries declined mainly because of a few countries such as China, India and Vietnam. Several countries have fallen further behind.

Importance of agriculture

About 80 percent of the people suffering from extreme poverty and hunger—essentially the worst victims of inequality—live in rural areas, and most of them depend on agriculture for their livelihood. About 80 percent of the rural poor are dependent on agriculture for their livelihood.[2] They either work on their farms or are employed in agriculture.[3] According to the World Bank, growth in the agriculture sector is two to four times more effective in raising incomes among the poorest compared to other sectors.[4] A cross-country panel data study for developing countries also showed that agricultural growth is the most important factor in reducing inequality and poverty, and growth acceleration in general.[5] While it is well recognized that industrialization and urbanization will attract excess labour from agriculture and help eradicate poverty in the long run, it will take a long time to make an impact. However, growth in agriculture, particularly in developing countries, can reduce inequality and poverty within a short period.

Nevertheless, for most developing countries, the nature and peculiarity of the agricultural sector and its role in food security pose a huge challenge to deal with the policy issues surrounding agriculture. While high food prices can pose a serious challenge to food security, the fact that the majority of the poor draw their livelihood from agriculture entails that low food prices can also create vulnerability to people engaged in agriculture—both owner-farmers and wage earners. Food security concerns also prevent farmers from switching over to non-food crops and import food that might be available in the global market generally at cheaper prices, but often subject to high volatility. Often farmers are also constrained by a lack of technical knowledge and adequate market information.

However, what could be more damaging to farmers in developing countries is the prevailing global agricultural production and trading system. Ensuring fair prices of commodities has been discussed in many international organizations and fora, including the General Agreement on Tariffs and Trade (GATT), World Trade Organization (WTO), Food and Agriculture Organization (FAO) and United Nations Conference on Trade and Development (UNCTAD). Nevertheless, such discussions and initiatives, including the international commodity agreements that the countries signed to stabilize supply and prices of certain commodities, did not achieve much.[6] Given this, it would be most appropriate if the Fifteenth Ministerial meeting of UNCTAD (UNCTAD 15) also takes up this issue, since vulnerability is also part of the theme of the conference. And agriculture is the most vulnerable sector due to impending climate change and the associated challenges.

Table

Trade balance of food products in South Asia (US$ million)

Country	Year	Export	Import	Trade Balance
Afghanistan	2019	5.00	482.12	-477.12
Bangladesh	2015	244.83	1,514.06	-1,269.24
Bhutan	2012	8.94	36.08	-27.13
India	2019	7,424.48	2,673.47	4,751.01
Maldives	2018	44.06	178.25	-134.19
Nepal	2017	92.63	471.46	-378.83
Pakistan	2019	915.95	484.47	431.48
Sri Lanka	2017	488.41	805.76	-317.35
South Asia	2019	8,345.44	3,640.07	4,705.38

Source: WITS Database.

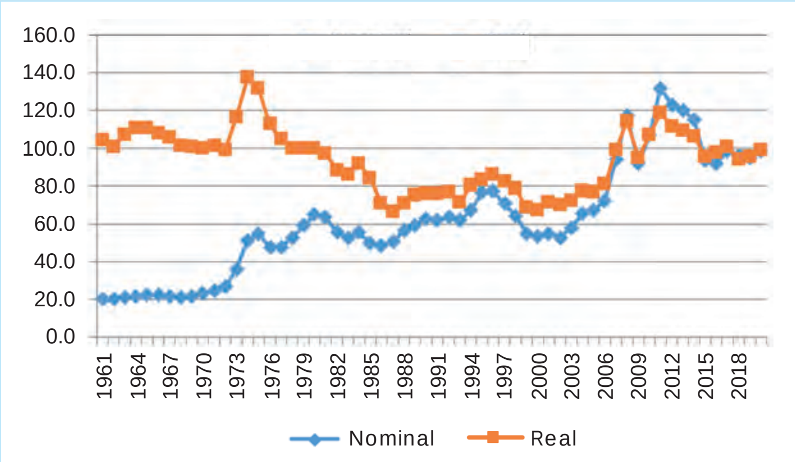
Agriculture and inter-sectoral inequality

Globally, about 58 percent of the labour force was employed in agriculture in 1960, which fell to about 24 percent in 2019. During the same period, the share of agricultural value added in GDP fell from about 34 percent to about 10 percent. This means in 1960, per labourer value addition in non-agricultural sectors was 2.7 times higher than the same in the agricultural sector, whereas in 2019, per labourer value addition in non-agricultural sector was higher than the same in the agricultural sector by about 2.91 times.

In the least-developed countries (LDCs), about 72.4 percent of the labour force in agriculture sector generated about 35.6 percent of GDP in 1991, which came down to 55.2 percent and 19.1 percent, respectively, in 2019. This indicates that in least developing countries, per labourer value added in non-agricultural sectors was about 4.75 times higher than the same in the agricultural sector in 1991 and the disparity rose to 5.23 times in 2019. This shows that deprivation of the people engaged in agriculture not only creates inequality within the countries but also among countries. More so since a larger proportion of people are engaged in agriculture in poorer countries.

Over the last few decades, growth in food production has outpaced growth in population. Most agricultural products being relatively non-elastic, such growth has adversely impacted the prices of agricultural products. However, more interestingly, during the last three decades of the twentieth century, in developed countries, supply growth outpaced demand growth, while in developing countries, demand growth outpaced supply growth, even though the agricultural growth rate has been higher in developing countries.[7] This has created a situation wherein a large number of countries remain net food importers despite a majority of their population engaged in agriculture. An example of this is South Asia. Although South Asia is a net exporter of food products all South Asian countries, except India and Pakistan, are net food importers (see Table). Of these net food importers, Nepal and Bhutan have a majority of their population dependent on agriculture for livelihood. Even Afghanistan has

Figure 1
FAO Food Price Index (2014-16=100) 1961-2021



Source: FAO Statistics.

a reasonably high share of population dependent on agriculture.

Factors in inter-sectoral inequality

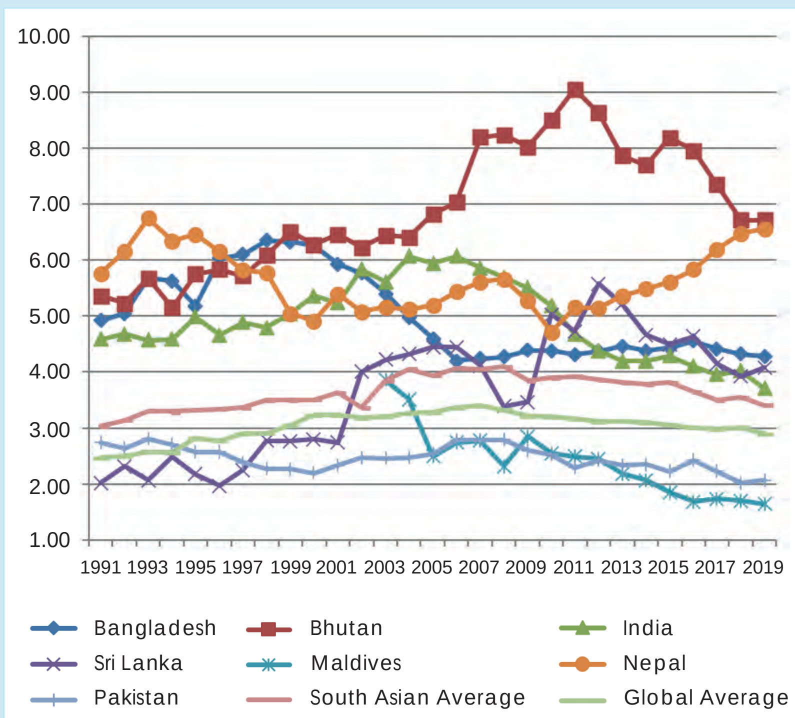
High agricultural subsidies in developed countries keep the prices of agricultural products low even if the costs of cultivation go up. In 2020, the real global food price was lower than that in 1961 (Figure 1). While the real food price went up until around the mid-1970s, it declined substantially thereafter, reaching the lowest level during the late 1980s. Most developing countries find it difficult to provide huge subsidies despite agrarian crises. As estimated by the Organisation for Economic Co-operation and Development (OECD), in many developing countries, production support in agriculture is negligible and even negative in some cases.

While estimates of production support for agriculture are not readily available for most South Asian countries, in the case of India, as estimated by OECD, producer support (percent of gross farm receipts) remained negative throughout 2001-2020 and went down to the extent of -25.97 percent in 2013.[8] Lack of support to agriculture creates a situation where the share of value added in agriculture declines as agriculture does not show high growth while employment in agriculture remains high. Over the last three decades, the share of agricultural value added in GDP of South Asian countries has declined from a little over 30 percent in 1991, to a little over 15 percent in 2019.

As can be seen in Figure 2, the co-efficient of inter-sectoral inequality is quite high in South Asia, which has remained higher than the global average during 1991-2019. Pakistan and the Maldives are the only two countries where the co-efficient of inter-sectoral inequality has been lower than not only the regional average but also the global average. Sri Lanka's co-efficient was lower than the global and regional averages until 2001 but increased rapidly thereafter. While inter-sectoral inequality has declined in most South Asian countries in recent years, it has increased in Nepal. The inequality is quite high in Nepal and Bhutan compared to other South Asian countries.

Inter-sectoral inequality has moved in the opposite direction of

Figure 2
Co-efficient of inter-sectoral inequality in South Asia



Source: Author, based on World Development Indicators Database.

the movement in global food price index, including in Pakistan and the Maldives where such inequality is relatively low. High global price as well as high production support to agriculture appears to reduce inter-sectoral inequality. Subsidizing farmers is always difficult for the developing countries due to financial reasons. At the same time, the way subsidies have been defined and the provisions in the WTO Agreement on Agriculture (AoA) framed, these countries will find it difficult to offer subsidies even if they have the resources and the intentions.[9]

Net food-importing countries often welcome lower global food prices maintained by agricultural subsidies in developed countries as it keeps their food import bill low. While lower global food prices might appear to be a blessing in the short run, it keeps farmers and the country as a whole in perpetual poverty. The global community must ensure that these countries can guarantee access to food for all but at the same time ensure that their farmers get reasonable returns.

Farmers in developing countries are considered not competitive enough as their productivity is low compared to their developed country counterparts. However, what is ignored is that productivity cannot be assessed only in terms of per hectare production or per unit of labour production. Since higher per hectare production or higher per labour unit production can be achieved through excessive use of other agricultural inputs, including fertilizers, pesticides, energy, water, expensive seeds and intensive use of machines, what might appear as high productivity can even turn out to be low productivity if an index of total factor productivity is considered for productivity assessment. In fact, 'higher productivity' almost everywhere, including in some developing country regions, is sustained by high agricultural subsidies.[10]

Such high input-intensive agriculture very often benefits the agri-business companies rather than the farmers and the consumers. The fact that these big agri-business companies exert monopolistic dominance in agricultural input markets and monopsonistic dominance in agricultural product markets results in a higher proportion of these subsidies going to these companies.[11] Moreover, such excessive use of agricultural inputs also harms the environment apart from harming the poor farmers in developing countries.[12] Given this, cutting down on subsidies or diverting them to environment-friendly agriculture will help achieve the SDGs. Even if agricultural production is compromised in the process, it is unlikely to harm food security since a substantial part of agricultural output, including food, is used for non-food commercial purposes.

Conclusion

Until the Uruguay Round of GATT, agriculture was virtually out of the global trade framework. Given this, the AoA, signed in 1994 along with several other agreements of the WTO, was expected to herald a new era in agricultural trade and bring much relief and prosperity to developing countries. The AoA deals with tariffs on agricultural commodities as well as the subsidies that have impacted agricultural trade and prices. However, after more than a quarter of a century since the signing of the Agreement, agriculture remains highly subsidized in most developed countries making it extremely difficult for farmers in developing countries to access their markets. Moreover, the way subsidies have been defined, and the way the related commitments have been framed, it has created problems for countries in South Asia even though the subsidies that these countries provide are quite modest. Tariff reduction commitments of most developed countries are also quite low, and most of them have also stuck to the bound levels of tariffs for key commodities. This has sustained high inter-sectoral inequality in developing countries keeping a large proportion of the people engaged in agriculture in perpetual poverty. Addressing this source of inequality and poverty is essential for achieving the SDGs on poverty and inequality. ■

Dr. Nanda is Director/Chief Executive Officer at Council for Social Development, New Delhi.

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Addressing climate change and impacts of climate hazards in South Asia

South Asian countries need to look towards a common position on key aspects at COP26 that are priorities to addressing climate change at local, national and regional levels.

Vositha Wijenayake

South Asia is no stranger to natural disasters. Recently, parts of Nepal, India, Bangladesh and Sri Lanka saw villages submerged in flood as monsoon wreaked havoc, displacing hundreds of thousands of inhabitants. The intensity and frequency of these impacts and hazards are set to be further exacerbated due to climate change.

Low-income countries are highly vulnerable to climate change impacts due to their lower adaptive capacity. South Asia's Gross National Income (GNI) per capita in 2020 places the region in the low-income category (US$1,045 or less) as per the World Bank's classification. Among the countries of South Asia, Afghanistan is categorized as a low-income country whilst India, Pakistan, Bangladesh, Sri Lanka, Bhutan, and Nepal fall in the lower middle-income category with their national GNI per capita between US$1,046 and US$4,095. However, GNI per capita alone does not indicate climate resilience, and the Maldives could be considered an example for this. With a GNI per capita of US$6,830, the Maldives is categorized as a higher middle-income country. But, it also remains one of the most vulnerable countries in the world to the impacts of climate change and is at risk of losing its land area due to rising sea levels.

South Asia and climate risk

South Asian countries are most vulnerable to climate change. They frequently experience heatwaves, storms, floods, and droughts. With the rise in temperature, the region's vulnerable communities and ecosystems face physical and socio-economic threats, weakening the countries' resilience to climate change risks. Climate change causes both economic and non-economic losses and damages that are interlinked with social and natural ecosystems, which are being threatened. The impacts are on lives of humans and animals, economic activities, human and ecosystem health, as well as cultural assets, infrastructure, and investments. Evidence-based assessments of climate risks at national and local levels are key to addressing climate-induced risks. Hence, it is important for countries in South Asia to be equipped with such assessments to build long-term resilience and reduce losses and damages resulting from climate-induced disasters and hazards.[1]

South Asian countries, in their national communications to the United Nations Framework Convention on Climate Change (UNFCCC), have included climate vulnerability and risk assessments. For example, the Third National Communication of Nepal identifies 11 climate extreme indices, including six extreme temperature indices and five extreme precipitation indices.[2] Bhutan's Third National Communication consists of climate baselines and projections for key sectors for the country. Among these are agriculture, forestry, water resources and glaciers, health, energy, disaster management, urban planning, and infrastructure development.[3] Other countries in South Asia also have similar sectors and focus in their vulnerability and adaptation measures, highlighting that there are many common areas in addressing climate change in South Asia.

Climate impacts on South Asian economies

Climate-induced disasters and hazards that are rapid- or slow-onset create adverse impacts on countries' economies. In developing countries such as those in South Asia, these impacts are particularly hard-felt due to the dependence of these economies on natural resources. Agriculture sector is one of the most vulnerable sectors to climate impacts and in need of climate and disaster risk management actions. The annual average maximum temperature in South Asia is predicted to increase by 1.4–1.8°C by 2030 and 2.1–2.6°C by 2050, which could increase the extent of heat-stressed areas by up to 12 percent by 2030 and 21 percent by 2050.[4] This includes over 50 percent of the Indo-Gangetic Plains, which are considered one of the most important food producing areas in the South Asia region. Additionally, the increase in temperature could impact water resources in the region by reducing their availability as well as stability, causing additional threats to agricultural practices. Among disasters and threats that could impact water resource availability and accessibility are changes in rainfall patterns (i.e., monsoon weather patterns), as well as the melting of glaciers that could result in flash floods and landslides impacting agricultural practices.

Climate change threatens all four pillars—availability, access, utilization and stability—related to food security. Frequency of droughts and floods, increase in salinity, erratic rainfall patterns, and increase in temperature caused by climate change affect agriculture and food security. Erratic and unpredictable weather patterns have the potential to reduce or damage harvests, lead to food shortages, and cause food price inflation. Coupled with existing vulnerabilities, climate change could result in nutritional insecurities as well as spreading hunger among populations as food become unaffordable. It is predicted that these impacts could lead to a change in market prices in the region and aggravate impacts on existing socio-economic vulnerabilities as well as food insecurity due to the loss of livelihoods among millions of those dependent on food sectors in South Asia.[5]

Additionally, outbreaks of pests and diseases have the potential to be exacerbated by climate impacts, leading to destruction of crops. In South Asia, where many farmers are smallholders relying on borrowed finances to cultivate their land, the impacts of lost harvest would lead to a vicious cycle of indebtedness that they find difficult to escape.

These impacts could also cause social conflicts as people would migrate in search of food and other resources. Long droughts, lack of harvest, as well as increased debts and lack of food for survival have led farmers in countries of South Asia to commit suicides as they are left without recourse to survive under these conditions.[6]

Climate commitments under the Paris Agreement

It is important that countries focus on the vulnerabilities that they face due to climate-induced hazards, as well as disasters that are exacerbated by climate impacts through national and local level policy and planning processes. Additionally, it is important that collective actions are taken to address these at the regional and international levels that could enhance resilience-building of the region. Among the key areas to focus would be the activities under the UNFCCC process to which all South Asian countries are parties.

Under the UNFCCC process, as part of the commitments to take climate action, South Asian countries have submitted their national plans in the form of Nationally Determined Contributions (NDCs). While all have


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Low-income countries are highly vulnerable to climate change impacts due to their lower adaptive capacity.

submitted their first NDCs, some have submitted their updated or the second NDCs. These commitments tend to highlight the key priorities to be addressed to ensure that climate resilience is built and the risks to a country's people, ecosystem and economy is controlled through inclusive and participatory processes, which would guide towards scaled-up climate action and net-zero pathways.

While all South Asian countries have included components related to mitigation and adaptation in their NDCs, there are some countries in South Asia that also focus on issues related to loss and damage. It is important to identify whether the commitments of the countries are aligned with their economic sectors, which could contribute to building resilience of the countries' economies to climate change impacts as well as whether they refer to addressing climate and disaster risks in their NDCs with a specific component allocated to it. The Table provides a summary of the key sectors mentioned in South Asian countries' NDCs.

Social impacts of climate change

Among the key impacts of climate change and associated disaster risks are the economic and non-economic losses and damages caused to populations. This includes displacement due to disasters and hazards, as well as migration due to resource depletion impacting livelihoods. These impacts have been documented in case studies in many countries, indicating that in most cases, where droughts and floods have impacted a community, the male household members or the

Table

Key NDC focus areas of South Asian countries

Country (Submission year)	NDC focus areas
Afghanistan (2016)	Energy; industry; agriculture and food security; land-use change and forestry; waste management; means of implementation; **disaster risk reduction**; water security; protection of forest and rangelands; biodiversity conservation *Note: The NDCs refer to key areas while not having separate section for the areas highlighted.*
Bangladesh (2021)	Energy (power, industry, agriculture, brick kilns, residential and commercial, F-gases); agriculture and food security; forestry; waste; sustainable ecosystems and livelihoods; **disaster management**; water resources management; surface water-use and rainwater harvesting
Bhutan (2021)	Forest conservation and management; agriculture and food security; human settlement; industries; transport; waste management; energy (sustainable hydropower development alternative renewable energy, green hydrogen, national energy efficiency and conservation); cooperative mechanisms to achieve sustainable development and mitigation ambitions; water; forests; biodiversity; health *Note: disaster & climate resilience noted as components for resilience building and relevant actions listed.*
India (2016)	Clean and efficient energy and energy efficiency; industries; climate resilient urban centers; waste to wealth conversion; safe, smart, sustainable and green transport; planned afforestation; abatement of pollution; citizens and private sector engagement; agriculture, water; health; coastal regions & islands; **disaster management**; biodiversity and Himalayan ecosystem; rural livelihoods security
Maldives (2020)	Renewable energy; waster to energy; transport; tourism; agriculture and food security; infrastructure resilience; public health; water security; coastal protection; coral reef biodiversity; fisheries; **early warning and systematic observation; disaster risk reduction and management**; cross cutting aspects
Nepal (2020)	Energy (energy generation, transport, residential cooking and biogas); forestry and land-use; biodiversity and watershed conservation; waste; industry; agriculture and food security; tourism, natural and cultural heritage; rural and urban settlements; health, drinking water and sanitation; **disaster risk reduction and management**; gender equality and social inclusion
Pakistan (2016)	**Climate variability**; energy; transport; agriculture; water resource management; **risk management**; climate resilient infrastructure; **disaster risk management**; industrial processes; waste management; land-use change and forestry
Sri Lanka (2021)	Electricity (power); transportation; industry; waste management; forestry; agriculture; livestock; fisheries; water; biodiversity; coastal and marine; health; urban planning and human settlement; tourism and recreation; **loss and damage**; SDGs and gender

Source: Countries' NDCs submitted to UNFCCC available at: https://www4.unfccc.int/sites/NDCStaging/Pages/All.aspx.

main breadwinner of the household have a tendency to move in search of employment and alternative income sources to urban areas.

For example, in Trincomalee district of Sri Lanka, a case study indicates that 80 percent of surveyed households have a member who has migrated away for economic reasons, mostly to urban centres in Sri Lanka, and mostly for periods of 1–3 months at a time. Additionally, interviews conducted with those who have migrated to the Middle East as domestic workers, in most cases women, found that the majority have migrated in search of work due to disasters or climate-related impacts on water resources and rainfall patterns.

In addition, climate and disaster risks heighten the vulnerability of women, youth, children, the elderly, and those with special needs. In instances where disasters occur and evacuations happen, women and children face additional threats and often have to deal with unsafe environments. There are also reports of increased domestic violence during disasters with women and children being the victims. Reports indicate that this is the situation during COVID-19 as well.[7] The number of women admitted to hospitals due to domestic abuse has increased significantly. It is important to strengthen social protection, identify the causes for increasing vulnerabilities of already vulnerable groups, and address them through policy measures and on-the-ground interventions. With migration and displacements on the rise, and the impacts of disasters being heightened due to COVID-19, these groups are highly vulnerable in terms of safety, access to food and security, and health support.[8]

Therefore, it is important that holistic risk management options are introduced and social protection schemes and risk transfer tools are presented to vulnerable communities to reduce their vulnerabilities. This includes climate and disaster risk finance as well as accessing climate finance for resilience building to face these risks with better capacity.

Priorities for COP26

The Twenty-sixth Meeting of the Conference of Parties to the UNFCCC (COP26) will be held in November this year. Addressing climate-induced losses and damages is a key area of focus at COP26. This includes discussions around the operationalization of the Santiago Network on Loss and Damage as well as technical and financial contributions needed to support its activities. Other areas of focus would be the raising of ambition on climate action through long-term low greenhouse gas emission strategies, and countries putting forward ambitious 2030 emissions reduction targets to reach net zero emissions by the middle of the century.

> Climate and disaster risks heighten the vulnerability of women, youth, children, the elderly, and those with special needs.

While these negotiations remain important and provide a space for engagement in finding solutions to increase resilience through emissions reduction and scaling up finance for actions targeting the most vulnerable, it is equally important to also move towards actual actions on the ground that impact the lives of the most vulnerable. Equally important are effective risk management and risk transfer options that would lead to enhanced resilience to climate threats among the vulnerable people and ecosystems. Further, it is important to forge partnerships at regional level for collective efforts to access finance for regional resilience building to climate risks and target key sectors that are most vulnerable to climate change. It would be important that the South Asian countries look towards a common position on key aspects that are priorities to addressing climate change at local, national and regional levels in South Asia. It would be important that regional organizations such as the South Asian Association for Regional Cooperation (SAARC) focus on achieving coordinated positions for the region, which could provide opportunity for countries of South Asia to be a voice for creating change and addressing losses and damages associated with climate change. ■

Ms. Wijenayake is Executive Director, Slycan Trust, Colombo.

Notes

1 See for instance, IPCC Sixth Assessment Report (2021)

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G7's role in climate adaptation financing

Accountable and responsible climate financing is crucial in global efforts towards keeping global warming to well below 2°C.

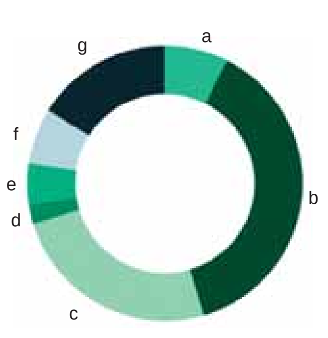
May Thazin Aung, Nabil Haque and Corrado Topi

Are rich countries doing enough to help poorer countries reduce emissions and adapt to climate change? This is the focus of the climate finance debate, including with regard to the G7. Organisation for Economic Co-operation and Development (OECD) data show that from 2017 to 2018, G7 countries contributed an average of US$27.2 billion in climate public financing. This is extremely low according to an analysis from the Overseas Development Institute (ODI). Accounting for countries' gross national income, population and cumulative carbon dioxide emissions from 1990 to 2018 (to determine their responsible fair share of financing), the ODI has estimated that G7 countries should in fact contribute 77–88 percent of the US$100 billion target annually.

G7 countries have collectively provided well below this target through bilateral and multilateral channels. Furthermore, on an individual level, most G7 countries have not contributed their fair share. France and Germany, that have contributed over 100 percent of their share according to the ODI report, are exceptions.

Figure 1

Adaptation commitment of G7 country, 2015-2019 (US$ thousand)



a	Canada	7%	1,042,701.596
b	France	38%	5,318,988.439
c	Germany	25%	3,471,605.522
d	Italy	2%	309,991.262
e	Japan	5%	681,912.737
f	United Kingdom	7%	921,907.409
g	United States	16%	2,248,162.163

Source: OECD climate related development finance data.

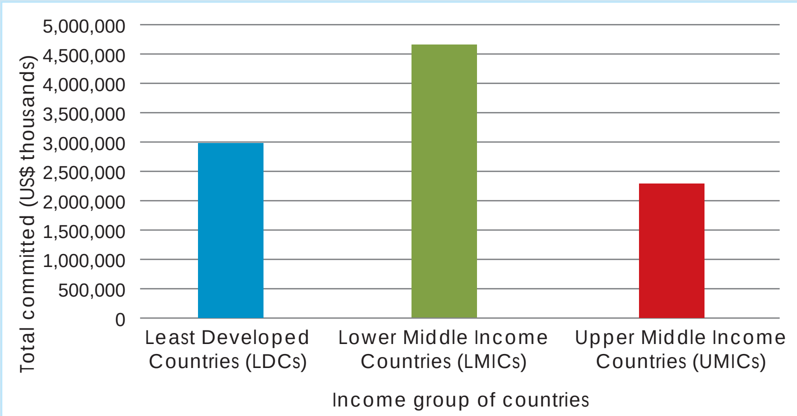
The left out

Poor countries are in dire need of financial support to plan and implement measures to adapt to climate change. However, only 8 percent of the overall climate finance has gone towards adaptation so far, according to the UN Environment Programme Adaptation Gap report. The report estimates that developing countries need US$140 billion–US$300 billion by 2030 to support adaptation. From 2015 to 2019, G7 countries donated nearly US$14 billion in adaptation finance, with Germany and France contributing over 60 percent of the share (see Figure 1).

However, least-developed countries (LDCs) do not feature as the top recipients of G7 countries' adaptation finance. Only three LDCs—Bangladesh, Senegal and Ethiopia—were among the top recipients during 2015–2019.

Figure 2

Adaptation commitment of G7 by income group 20152019



Source: OECD climate related development finance data.

Small Island Developing States (SIDS), many of which are also LDCs and particularly vulnerable to the impacts of climate change, are not among the priority recipients of public G7 adaptation funds at all. In fact, they receive fewer funds from the G7 than all the lower- and upper middle-income countries combined.

Matters for power relations

Amount and financing objectives aside, power relations are another critical aspects of climate finance. Looking in greater detail at the types of finance instruments used by G7 countries for funding climate action helps to understand these power relations.

The anti-poverty organization Oxfam estimates that from 2017 to 2018, only about 20 percent of overall public climate finance was provided through grants. Debt instruments constituted the majority of financing forms. OECD data show that of the adaptation finance committed from 2015 to 2019, 54 percent was delivered through debt instruments and 46 percent through grants.

For donors, grants provide power that is limited in space and time, whereas the power wielded by debt and equity measures is extended and increased through time. Equity financing, which does not necessarily have a time limit, gives the lender ownership of a stake in a climate project, affording them, for example, a share in decision-making.

As a result, by entering into equity commitments, LDCs may progressively relinquish power in exchange for climate finance, over an increasingly lengthy time scale. Through the back door of climate action, a new form of colonialism may develop.

For developing countries, particularly LDCs and SIDS, debt repayment steers resources away from addressing critical structural development issues, such as poverty, education, health and food security. The inability to tackle these critical development issues further exacerbates people's vulnerability to climate change. Similarly, equity instruments constrain the ability of countries to make autonomous decisions on development pathways, and often force governments to align their priorities with those of funders, even though they may not correspond to the needs of local communities.

The irony here cannot be overlooked: for SIDS and LDCs, some of which are the most underdeveloped and climate vulnerable, climate financing may prevent significant advancements in climate action.

G7 needs to step up

Since the COVID-19 pandemic broke out, development aid from bilateral donors has decreased, including from the UK, the host of the UN climate conference (COP26) in November. Given this, there is a certain irony in the fact that the UK has made adaptation action, and increased adaptation finance, a key goal of COP26.

To demonstrate its own resilience to crises and its commitment to supporting climate actions in developing countries, the G7, under UK leadership, should start by increasing adaptation finance.

However, G7 nations must also scrutinize the use of debt and equity instruments in climate financing. Accountable and responsible climate financing is crucial in global efforts towards keeping global warming to well below 2°C, as committed in the Paris Agreement.

When it is necessary to use climate financing instruments that impose greater debt burdens on developing countries, donors must do so prudently. It is also vital that embedded in these climate finance instruments are environmental and social safeguards, co-created with the local stakeholders and tailored to local contexts and communities.

Furthermore, the G7 can signal their support for these efforts towards accountable and responsible climate finance by agreeing, for instance, to a baseline percentage of grant contributions they would make. Parties to the UN Framework Convention on Climate Change can also contribute by pushing for accountability guidelines to monitor climate finance instruments.

In the run-up to COP26, the G7 has an opportunity to demonstrate unity and commitment towards climate change and it is up to them to seize it. ■

Dr. Aung is Research Fellow, Dr. Haque is Research Fellow and Platform Manager for Aid Atlas and Dr. Topi is Affiliated Researcher at Stockholm Environment Institute (SEI) Asia. This piece was published on SEI's website on 11 June 2021.

Prioritize biodiversity conservation in the Hindu Kush Himalaya

Mountain ecosystems and biodiversity are yet to receive specific recognition in the Post-2020 Global Biodiversity Framework.

Janita Gurung and Binaya Pasakhala


Wikimedia Commons

The year 2021 is an important year for biodiversity conservation.

The Fifteenth meeting of the conference of the Parties to the Convention on Biological Diversity (CBD COP15) will be held 11–15 October 2021 and 25 April–8 May 2022 in Kunming, China. An important agenda at this meeting will be the adoption of the 'Post-2020 Global Biodiversity Framework', which provides a set of targets and actions for a ten-year period to protect nature and its essential services to people.

The decade 2011–2020 was guided by the 'Strategic Plan for Biodiversity' and the Aichi Biodiversity Targets. Based on this, countries prepared national biodiversity strategies and action plans (NBSAPs) against which their progress and achievements were measured. By the end of 2020, none of the 20 Aichi Targets were fully achieved at the global level.

Biodiversity in the Hindu Kush Himalaya

The Hindu Kush Himalaya region (HKH) extends across eight countries, from Afghanistan in the west to Myanmar in the east, and across Pakistan, India, China, Nepal, Bhutan and Bangladesh. With its well-renowned high mountains and vast ice reserves, the HKH is the source of water for ten major Asian river systems. Some 240 million people live in the HKH, while almost 1.65 billion people live in the river basins downstream.

The HKH hosts a variety of ecosystems, biodiversity and biocultural diversity. It is home to four global biodiversity hotspots, six UNESCO natural World Heritage Sites, 30 Ramsar sites, and 330 important bird and biodiversity areas (IBAs). The HKH is also home to diverse cultures with over 1,000 spoken languages in the region, and associated with these cultures is a range of unique traditional knowledge systems that constitute the biocultural diversity of the region.

The ecosystems and biodiversity of the HKH provide a variety of ecosystem services to almost two billion people. However, the rich biodiversity of the HKH is under threat due to global and regional drivers of change. Land use change and habitat loss, pollution, climate change, and invasive alien species are the major drivers causing biodiversity loss. It is estimated that by 2100, a quarter of the endemic species in the India Himalaya could be lost forever.

Reflecting on the achievement of Aichi Targets within the HKH, countries have made significant progress on Aichi Target 11 that focuses on protected areas and other effective area-based conservation measures (OECMs). Of special concern are our progress on Aichi Targets 8, 9 and 12, which are concerned with the protection of threatened ecosystems, management of invasive alien species, and protection of threatened species, respectively, where there has been limited or no progress.

The HKH Call to Action

In October 2020, International Centre for Integrated Mountain Development (ICIMOD) organized the first HKH Ministerial Mountain Summit as a virtual event due to the COVID-19 pandemic. During this event, the HKH Call to Action was endorsed by the eight HKH countries. The Call to Action is based on the Hindu Kush Himalaya Assessment report[1] and sets forth six urgent actions to realize the vision of a prosperous, healthy, peaceful and resilient HKH region. Action 5 calls to 'take decisive action to enhance ecosystem resilience by halting biodiversity loss and land degradation, and sustainably managing forest, rangelands, and other ecosystems in the HKH through promoting transboundary cooperation for landscapes and river basins'.[2]

The next decade for biodiversity

The decade 2021–2030 was declared by the United Nations as the 'Decade on Ecosystem Restoration'. With the goal of preventing, halting and reversing the degradation of ecosystems worldwide, this declaration has received all the more attention following the COVID-19 pandemic and the devastating forest fires of 2020, among other environmental catastrophes.[3]

Since 2020, the 'One Health' approach has also gained more traction.

> Ensuring that biodiversity and ecosystem services are maintained while delivering equitable benefits in the HKH can be achieved through an integrated landscape approach.

The interdependence of humans and animals within a healthy environment has been reinforced following the COVID-19 pandemic. Ecosystem restoration and the 'One Health' approach complement each other as ecosystem degradation has been linked to the transfer of zoonotic diseases.

The COVID-19 pandemic exerted pressure on the ecosystems and biodiversity of the HKH. There were reports of increased human-wildlife interactions including poaching and livestock depredation. Illegal harvesting of trees and non-timber forest products also increased during the pandemic as a result of decreased monitoring and surveillance due to travel restrictions. Recognizing that pandemics are highly likely to recur in the future, the HKH must prepare strategies to safeguard biodiversity under such conditions.

Living in harmony with nature

The Post-2020 Global Biodiversity Framework has set a 2050 vision of living in harmony with nature where 'biodiversity is valued, conserved, restored and wisely used, maintaining ecosystem services, sustaining a healthy planet and delivering benefits essential for all people'. It aims to achieve this through 21 action-oriented targets to be achieved by 2030.

Mountain ecosystems and biodiversity are yet to receive specific recognition in the Post-2020 Global Biodiversity Framework. This is particularly significant as the HKH is especially vulnerable to the impacts of climate change. The HKH is the 'pulse of the planet' and it calls for ambitious climate actions so that global warming is limited to 1.5°C or less.

The HKH provides ecosystem services to almost two billion people, more than any other mountain ecosystem in the world. Ensuring that biodiversity and ecosystem services are maintained while delivering equitable benefits to men, women and children in the HKH can be achieved through an integrated landscape approach. This requires concerted action at local, national, regional and global scales for the HKH. ■

Dr. Gurung is the Program Coordinator of the Kailash Sacred Landscape Initiative and Mr. Pasakhala is Governance and Institutions Analyst at International Centre for Integrated Mountain Development (ICIMOD), Kathmandu.

Notes

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3. ICIMOD. 2020. *COVID-19 impact and policy responses in the Hindu Kush Himalaya*. ICIMOD: Kathmandu.

Trade, environment and development

meeting the challenge in South Asia

Conducive and coherent trade and environmental policies can unleash South Asia's productive capacities for sustainable growth and development.

Rashid S Kaukab

With almost a quarter of the world population, South Asia holds the key for the global success of the 2030 Agenda for Sustainable Development. South Asia's main defining features include variable geography and climate, ethnic diversity, rich history and cultural heritage, population density[1] and a young population.[2] On the other hand, the region also has the unenviable distinction of having the greatest number of absolute poor (roughly 216 million[3]), modest share in international trade (about 2.35 percent of total world exports of goods and services in 2019[4]) and facing serious environmental challenges. The path to sustained economic growth and sustainable development has neither been easy nor straightforward. Climate change and the COVID-19 pandemic have brought the formidable developmental challenges into sharper focus.[5]

Several international conferences scheduled in the coming months—Fifteenth Ministerial Meeting of the United Nations Conference on Trade and Development (UNCTAD 15), Twenty-sixth Conference of the Parties of the United National Framework Convention on Climate Change (COP26), Twelfth Ministerial Conference of the World Trade Organization (WTO MC12) and the Fifth Decadal Meeting of the United Nations on LDCs (LDC V)—provide a unique opportunity to examine these challenges and to chart a way forward with a view to fulfilling the aspirations of the people of South Asia. This article focuses on the root causes of the trade and environmental challenges facing the region, and proposes a framework for the way forward.

Pixabay

Trade performance

The trade and economic performance of South Asia has been far below potential. South Asia's GDP per capita of US$1,817 was significantly below the global average of US$10,291 and was the lowest among other regional groupings in 2020.[6] The region's trade balance was a negative 4 percent of GDP in 2019.[7] Major regional exports remain concentrated in a few commodities and low value-added products (although some services exports are high value), and the region is one of the least integrated in the world.

The abysmal trade performance of South Asia is reflective of the still primitive structure of the economy, lack of infrastructure, adverse terms of trade, and the low levels of education and skills, making it hard to keep up with the fast-paced technological changes. This state of affairs also speaks volumes about the relevance and effectiveness of national and regional trade and economic policies as well as international agreements.

Environmental challenges

The region also faces formidable and growing environmental challenges (see Table). Several South Asian countries are counted among the top ten most vulnerable countries to climate change. South Asian countries also face, to varying degrees, problems of deforestation, air and water pollution, waste generation and disposal, soil erosion and degradation, and loss of biodiversity. The deteriorating environmental conditions are often due to the population pressure and poverty (and resulting implications such as rapid urbanization) and lack of awareness and appropriate technologies, among others.

Four Ps

There are many reasons for South Asia'a trade and environment conundrum. But at the heart of these are four Ps: poverty, population, policy and politics. With millions living below the absolute poverty line, the priority for both the poor households and the relevant public authorities is to somehow ensure the basic necessities of life. The poor do not have the luxury of thinking about 'tomorrow' when they are unable to cater for even 'today'. Massive public and private resources required to break out of this vicious cycle are lacking in the region. In fact, whatever growth in these resources takes place is more than offset by the increase in population. The fast population growth also worsens the environmental footprint. The policy framework to improve trade performance and deal with environmental issues, despite the efforts of the relevant public authorities, remains patchy, sometimes incoherent, and often without adequate buy-in and resources for effective implementation. To cap it all, politics within and be-

Table
Major environmental challenges in South Asia and their impacts

Key environmental challenges	Main causes	Main impacts	Trade-related adverse outcomes
• Climate change • Deforestation • Air and water pollution • Waste generation and disposal • Soil erosion and degradation • Loss of biodiversity, including marine biodiversity • Desertification	• Population pressure • Rapid urbanization • Low-tech industrialization • Industrial and municipal wastes • Unplanned marine-based and ecotourism • Increased demands for timber and fuelwoods • Hunting and poaching • Excessive use of agro-chemicals • Fossil fuels burning	*Impacts on agriculture—the mainstay of South Asian economies and trade:* • Reduced soil productivity and fertility • Water scarcity and reduced precipitation • Vulnerability of agriculture, wetlands and ecosystem to desertification • Droughts	Food insecurity, threatened livelihoods, and reduced surplus/inputs for exports
		Impacts on infrastructure—a critical competent for production and trade • Flash floods • Stressed urban infrastructure • Damage in coastal areas • Habitat loss and migration • Inadequate drainage and sanitation	Increased cost of production and movement of goods and services within the country and across borders
		Impacts on human capital • Vector-borne, air-borne and water-borne diseases • Conflicts • Malnutrition	Low productivity

Source: Author, based on country tables in Hasnat, Kabir, and Hossain (2018).[8]

tween South Asian countries often do not allow for an enlightened, collective and forward-looking agenda and actions. Worse still, it often encourages the diversion of precious resources from developmental endeavours.

The combined effect of these four negative Ps is a region facing multiple crises. The three basic securities—food, water and energy—are endangered. The future of a quarter of humanity hangs in a precarious balance.

But this can be a wake-up call for policymakers in South Asia. The greatest asset of the region is its demographies with a larger proportion occupied by the young. Freed from the twin menaces of poverty and population growth, this relatively young population can build prosperous nations. Conducive and coherent trade and environmental policies can unleash their productive capacities for sustainable growth and development, for both today and tomorrow. The four negative Ps can be replaced by four Positive Ps: people-centred policies, programmes and partnerships.

The fundamental basis for both trade and environmental policies should be the welfare of the people. From conception to implementation to evaluation, people should be the main beneficiaries and stakeholders. Empowerment of marginalized groups of people—women, indigenous communities, youth and micro-entrepreneurs—should be built into the policies and implementation frameworks through information-sharing, awareness-raising, knowledge-and skill-building, and input- and feedback-seeking. This people-focus will also ensure coherence between trade policies and environmental policies.

The same principle and practice should also apply to programmes that are designed to seek concrete and well-defined outcomes in the areas of trade and environment. Targeted and multi-faceted programmes can break the silos between trade and environmental initiatives. For example, awareness-raising programmes on trading opportunities can focus on environmental goods and services and skill-enhancing programmes on improving productivity through circularity and better waste management.

Finally, partnerships will be the key to materialize people-centred policies and programmes for trade and the environment. Partnerships need to be built between the public and private sectors, between formal and informal enterprises, between national and regional policymakers, between states and their development partners, and between national governments and international organizations. These partnerships will provide the much-needed knowledge and lessons regarding the history and best practices, financial and human resources, technology and innovation, and monitoring and oversight.

Way forward

The coming months provide a unique opportunity to further develop the positive 4P framework for implementation so that South Asia can harness its trade capacities for sustained, inclusive and environmental-friendly development. The upcoming international conferences can and must play a catalytic role in this respect.

UNCTAD, based on its developmental mandate and rich knowledge base on both trade and environmental issues, should take the intellectual leadership to promote people-centred policies, programmes and partnerships at its Fifteenth Ministerial Conference. The UNFCCC at COP26 should deliver on the promise of financial assistance and technology transfer for climate change adaptation and mitigation while also taking into account the trade impacts of climate change measures on developing countries. WTO MC12, similarly, should achieve outcomes that are win-win for both trade and the environment. These include: agreement to substantially curb fisheries subsidies by major subsidy providers; time-bound work programme to reform world agricultural markets that are often the cause of both environmental degradation in the major subsidizing countries and rural poverty in developing countries; and revival of negotiations on environmental goods and services while keeping in view the special needs of developing countries. Finally, the UN LDC V early next year should focus on the special problems of LDCs related to both trade and environment and application of the 4P framework in their special context, noting that half of the South Asian countries LDCs.

With concerted and coordinated efforts by South Asian governments and their national stakeholders on the one hand and the relevant international organizations and development partners on the other, year 2022 may see not only a recovery from the shocks of COVID-19 but also a positive trajectory towards people-centred sustainable development through coherent trade and environmental policies, programmes and partnerships. ■

Mr. Kaukab is Executive Director, CUTS International Geneva. Views are personal.

Notes

1. 25 percent of the world population living in about 3.5 percent of the world's land surface area.
2. According to United Nations Children's Fund (UNICEF), almost half of the population is under the age of 24. See https://www.unicef.org/rosa/press-releases/more-half-south-asian-youth-are-not-track-have-education-and-skills-necessary.
3. World Bank. 2018. *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle*. Washington DC: World Bank.
4. Calculated using figures in the UNCTAD Handbook of Statistics 2020 and the World Bank's WITS database (https://wits.worldbank.org/countrysnapshot/en/SAS).
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6. *ibid*.
7. WITS database (https://wits.worldbank.org/countrysnapshot/en/SAS).
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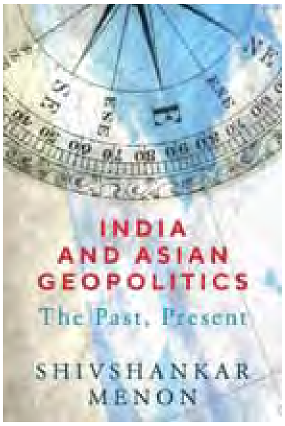

India's international choices

Title: India and Asian Geopolitics: The Past, Present
Author: Shivshankar Menon
Publisher: Brookings Institution
ISBN: 9780815737230

Samar SJB Rana

Shivshankar Menon, former foreign secretary and national security advisor of India, highlights the major strategic calculations, choices and compulsions of India in the international arena in his book '*India and Asian Geopolitics: The Past, Present*'. The book depicts how the frictions and convergences between countries in Asia have moulded and influenced both India and Asia. The book is broadly divided into two major parts—the past and the present.

The past

The first section chronicles the major events that have shaped Indian geopolitics, including decolonization, the cold war, US-China bonhomie in the 1970s, Indochina wars, the Soviet invasion of Afghanistan, and globalization.

Most of India's post-independence foreign policy was carried out under Nehru's tutelage. While many have been critical of Nehru's foreign policy choices, Menon reflects Nehru's realism and pragmatism in dealing with other nations. To be fair, he mentions Nehru's faulty dealing with China between 1959 and 1962. Menon calls this episode a striking example of political emotions effortlessly overriding "sound military advice" before the 1962 Indo-China war and the ambiguous "package deal".

The book also echoes the different perspectives and strategic choices of Nehru and Indira Gandhi. Nehru's focus was towards building an area of peace to avoid taking sides during the cold war. Indira sought a more assertive and 'self-reliant India'.

Likewise, this section discusses in good detail the events after the Indo-China war, which Menon interprets as missed opportunity in terms of India's relationship with China. During the 1970s, China approached India to reconcile their misgivings that had culminated in a war. According to the author, the 'Mao's smile' conveyed by Brajesh Mishra (*charge d' affairs*) back home was a signal for reconciliation. But India was riddled with ambivalence about China's motives and hence India did not reciprocate constructively.

Menon lucidly articulates the continuous vicissitudes experienced by India with regard to its geopolitical situation in the east, west and the subcontinent. As India had to adjust and adapt to the fluctuating international order, so did India's internal foreign policy structure. The internal rejig began with India's remodelling of its least 'Indianized' civil service body in the post-independence era. The real shift in India's foreign policy after the cold war began under Rajiv Gandhi. Menon points out that he was not hindered by past legacies nor was he a 'prisoner of ideology'. But in the book, much credit has been attributed to Narasimha Rao, who implemented and made the difficult transition from the binary working of diplomats after the fall of the Soviet Union.

Present and the possible future

The second section deals with the current international context but also analyzes possible outcomes in the near future. For India, China's rise, a major consequence of globalization, is the primary geopolitical challenge. Menon also analyzes India's response to China's rise with an eye on the US-China dynamics. As a consequence of globalization, the US will have to get used to a 'peer competitor' after a reign of unmatched superpower for thirty years. However, its ascendance in the global arena is portrayed as differing from that of the US or UK in the past. While China's rising influence in the global arena is unambiguous, its sphere of influence is limited (mainly Asia). Furthermore, China's constant regional preoccupation with Asia coupled with its ageing demography impedes China's easy rise to the global superpower status.

In the book, Menon hopes for a multipolar, plural and open Asia with India engaging with other countries in its vicinity and beyond. But India's engagement and connectivity with the outside world is marred by domestic drivers and an inward-looking India. It will be interesting to see how India maintains its strategic autonomy and what type of influence India will have in the global arena in the future.

To sum up, the astute diplomat gives the readers an enthralling and comprehensive picture of India's international choices amid its growing global significance. ■

Samar SJB Rana is Senior Research Assistant at Institute for Integrated Development Studies (IIDS), Kathmandu.

WTO's Environmental Agenda

Despite close links between trade and environment, the idea that environment could be a part of international trade rules have produced frictions, especially in the WTO.

Swastik Aryal

Pxfuel

Trade expansion often has direct negative impacts on the environment. All the different activities associated with trade—production, storage, transportation, etc.—incur costs to the environment. But, trade can also contribute to environment protection. It could support economic growth and thus enhance capacity to better manage the environment, increase access to new environment-friendly technologies, and incentivize firms to adopt more stringent environmental standards (to meet the environmental requirements of importers).[1] Policies that could mitigate environmental damages caused by trade but promote trade's positive contribution to the environment are becoming more and more urgent. Despite such close links between trade and environment, the idea that environment could be a part of international trade rules have produced frictions, especially in the World Trade Organization (WTO).

History of environmental agenda (prior to the establishment of the WTO)

The link between trade and environment protection—both the impact of environment policies on trade and the impact of trade on the environment—was recognized as early as 1970.[2] International focus on environmental issues was established primarily through the United Nations Conference on the Human Environment, held in 1972, in Stockholm. The General Agreement on Tariffs and Trade (GATT) secretariat was asked to contribute during the preparation of the conference. Its response in the form of a study entitled *Industrial Pollution Control and International Trade* focused on the implications of environmental protection policies on international trade. For this purpose, a group on Environmental Measures and International Trade (EMIT) was created, which would convene at the request of GATT members. However, the call for EMIT group to convene came much later, in 1991, to contribute to the 1992 UN Conference on Environment and Development (UNCED). In about 20 years between the establishment of EMIT and its first request to convene, many environmental policies had begun to have an increasing impact on trade, which led to a number of influential discussions such as the Tokyo Round of trade negotiations (1973–1979) and the Uruguay Round (1986-1994).[3] Furthermore, the 1991 dispute between the US and Mexico regarding the embargo put by the US on tuna imported from Mexico, based on the grounds that the nets used to catch tuna caused incidental killings of dolphins, attracted significant attention from environmental groups. Mexico appealed that the embargo was inconsistent with the rules of international trade, and GATT ruled in favour of Mexico, eliciting strong reactions from environmental groups. The proliferating environmental policies, increasing discussions, and increasing disputes among countries compelled the EMIT group to focus on the effects of environmental measures on international trade. The 1992 UNCED also brought the role of international trade in poverty reduction and combating environmental degradation into the spotlight. As a result of all these developments, disputes and friction between the environment and international trade, the Marrakesh agreement (the WTO establishing agreement) emphasized the importance of working towards sustainable development and of protecting and preserving the environment. The 1994 Marrakesh ministerial also signed a 'Decision on Trade and Environment' which states that: "there should not be, nor need be, any policy contradiction between upholding and safeguarding an open, non-discriminatory and equitable multilateral trading system on the one hand and acting for the protection of the environment, and promotion of sustainable development on the other".[4]

Establishment of the WTO and the creation of the Committee on Trade and Environment

Protection of the environment and promotion of sustainable development have been WTO goals right from its establishment. Sustainable development and protection and preservation of the environment are enshrined in the WTO's founding document, the Marrakesh Agreement Establishing the WTO.[5] The formation of the Committee on Trade and Environment (CTE) was the stepping stone of WTO's environmental agenda. The CTE has contributed towards identifying and understanding the relationship between trade and the environment in order to promote sustainable development.[6] The CTE began with a 10-point work programme, some of which are focal issues, while some are being negotiated.

Environment issues in the WTO ministerial conference

The first three ministerial conferences (MCs) of the WTO ended with disputes, disagreements and protests, and produced no tangible outputs. Significant progress was finally made in the fourth WTO MC held in Doha in 2001, which led to the adoption of the Doha Ministerial Declaration and the creation of the Doha round of negotiations.[7] Along with the beginning of the Doha round of trade negotiations, the Doha Declaration also had a section dedicated to trade and environment. The ministers agreed to negotiate on the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs) and the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. The Declaration also instructed the CTE to continue its work on all of its agendas with special attention to labelling requirements for environmental purposes, and the effect of environmental measures on market access. Subsequent WTO MCs have held negotiations on environment-related issues and some of the 10-point work programmes of the CTE have even been adopted, while others are still under negotiation.

Environment and the WTO

The efforts made by the WTO to ensure the protection of the environment have been praiseworthy. But the WTO's main objective lies in promoting international trade, creating international trade rules, and resolving trade disputes, rather than environmental protection and sustainable development. So, the trouble is not the lack of WTO's efforts, but the lack of similarly powerful and effective institutions that focus on these social goals.[8] Even though environment protection is not the main objective of the WTO, environmental issues have been negotiating agendas in the MCs. Moreover, synergy between the WTO's trade rules and MEAs can and have led to the adoption of some environmental standards.

The UN Climate Change Conference (COP26) is being held at the end of October to discuss actions related to climate change, and the WTO MC12 is being held in November-December. Given that the world is stepping towards a dire environmental crisis, it will be interesting to witness if these events can result in concrete global actions in the arena of trade and environment. ■

Notes

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4. WTO. "Relevant WTO provisions: text of 1994 decision." https://www.wto.org/english/tratop_e/envir_e/issu5_e.htm
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7. British Broadcasting Corporation. 2012. "Timeline: World Trade Organization." *BBC News*, 15 February 2012.
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War time preparations needed to cope with the second wave of COVID-19

UNNAYAN Shamannay organized a pre-budget webinar titled "Public Expenditure for Health Sector: Proposals for FY2021-22", in association with Bangladesh Health Watch, on 8 May.

Former Governor of Bangladesh Bank and Bangabandhu Chair Professor of Dhaka University, Dr. Atiur Rahman, said that to avoid remaining unprepared against the second wave of the pandemic, government and non-government actors need to come together and be prepared like it is a war time.

During his presentation, Dr. Rahman opined that increasing health budget alone will not suffice. The policymakers need to set the right priorities when spending such additional allocations.

M. A. Mannan, Minister of Planning, agreed to the need of re-prioritization of health allocations and urged the civil society to keep pushing the health agenda. ■

India-Bangladesh tourism a key to bilateral cooperation

EASING of security, custom, immigration and health procedures would lead to increased cross-border river cruise tourism on trans-boundary rivers of India and Bangladesh, experts suggested at a webinar organized by CUTS International on 29 April.

Cross-border tourism and trade through trans-boundary rivers between India and Bangladesh is poised to play a significant role in the socio-economic development of local communities and environmental and cultural preservation in India and Bangladesh, said Bipul Chatterjee, Executive Director, CUTS International, while moderating the public-private dialogue on India-Bangladesh cross-border tourism and cruise operations.

The webinar was organized as part of a regional programme titled Trans-boundary Rivers of South Asia (TROSA), which is supported by the Swedish International Development Agency (Sida), managed by Oxfam Novib and implemented by CUTS International.

Dr. Amita Prasad, Chairperson, Inland Waterways Authority of India (IWAI), said that India is being developed as a cruise shipping destination in cooperation with Bangladesh as part of Maritime India Vision 2030. She added that Standard Operating Procedures for passenger and cruise services on coastal and protocol routes between India and Bangladesh was signed on 25 October 2018.

Concurring with Dr. Prasad, Commodore Golam Sadeq, Chairperson, Bangladesh Inland Water Transport Authority (BIWTA), said that river tourism has a lot of economic opportunities as this is one of the unique deltas in the world. He added that regulatory issues were being resolved and the private sector should act vigorously and start marketing once the COVID-19 crisis is under control. ■

IPS webinar on recovery of Sri Lanka's apparel sector

INSTITUTE of Policy Studies of Sri Lanka (IPS) hosted a virtual panel discussion on the 'Recovery of Sri Lanka's Apparel Sector from the COVID-19 Crisis' on 2 February. The panel featured A. Sukumaran, Chairperson, Joint Apparel Association Forum Sri Lanka (JAAFSL); Madhavie Gunawardena, Commissioner of Labour, Department of Labour; and Malith Jayasinghe, Director, Lesova Holdings (Pvt) Ltd. Kithmina Hewage, Research Economist, IPS, moderated the discussion. The webinar focused on the medium-term challenges faced by the apparel industry arising from the pandemic, and discussed solutions that could help the industry emerge from the crisis.

The apparel sector has contracted by around 23 percent in 2020 with earnings dropping to US$4.1 billion from US$5.3 billion in 2019. The need to prioritize vaccinating the 350,000-strong workforce in the apparel sector within the next three months to avert the industry from plunging into a deeper crisis in 2021 was highlighted at the virtual forum. The webinar is a part of IPS' research examining the economy-wide impacts of COVID-19 on the apparel sector. ■

Experts support clean, green recovery for better future

PARTICIPANTS of Sustainable Development Policy Institue (SDPI)'s webinar 'Climate crisis and the road to Glasgow', organized on 22 April, have asked developing countries to undertake enhanced global and regional cooperation to respond to growing challenges emanating from climate change.

Director of Climate Programme, World Resources Institute-India, Ulka Kelkar, said that this year, the earth day was precedented by the pandemic, locust attack and a devastating super cyclone in India and Bangladesh. The challenge for South Asian countries is to develop a low-carbon infrastructure for a sustainable growth in the future. For this they need technologies for climate adaptation and for tapping into their renewable energy resources.

Dr. Saleem-ul-Haq, Director, International Centre for Climate Change and Development, Dhaka, lamented that no tangible action was seen in the past 25 years to respond to the climate change. He emphasized that the SAARC platform and the regional think tanks working on climate change should join hands for crafting a regional climate action plan for a better and sustainable future.

Dr. Abid Qaiyum Suleri, Executive Director, SDPI, said that the earth day is being marked again amidst the pandemic and signifies the need for a greater preparedness. He was of the view that developing countries need to come up with a collective agenda and push the larger emitters towards low carbon initiatives.

Climate scientist Dr. Fahad Saeed said that there is a need to translate the climate change science into local languages to make it more effective at the local levels. He suggested that we need to strike a delicate balance between the ambitious climate action as set by the developed countries and the sustainable economic growth.

Dr. Imran Khalid from SDPI said that we need concrete and tangible steps to cope with its impacts. ■

LDC Graduation: What next for Nepal?

NEPAL'S graduation from the least-developed country (LDC) status needs to be celebrated, experts pointed out during a webinar 'LDC Graduation: What next for Nepal?' organized by South Asia Watch on Trade, Economics and Environment (SAWTEE) on 16 March.

The potential loss from losing preferential market access when Nepal graduates from the category of LDC can be overcome by negotiating better regional and trade deals in the next five-year transition phase, they added.

Graduation from the LDC category will allow Nepal to be considered a viable investment destination, provided the country can devise an effective transition strategy for the next five years, said Lekh Raj Bhatt, Minister of Industry, Commerce and Supplies, while deliberating on further steps towards institutionalizing the LDC graduation.

Addressing the concerns regarding the loss of duty-free, quota-free access to foreign markets, Dr. Posh Raj Pandey, Chairman, SAWTEE pointed out that the markets in which Nepal will lose preferences due to the removal of preferential access are the EU, non-EU European countries, Canada and to some extent, the US. In this regard too, the total loss of merchandise exports due to removal of preferential rates could be as low as 2.5 percent of the existing exports, and the increase in tariffs could be about 0.9 percent of exports, he added.

Gyan Chandra Acharya, Former United Nations Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), pointed out that Nepal can negotiate with the major trade partners such as EU for the other preferential facilities for the future. ■

South Asia Watch on Trade, Economics and Environment (SAWTEE) is a regional network that operates through its secretariat in Kathmandu and member institutions from five South Asian countries, namely Bangladesh, India, Nepal, Pakistan and Sri Lanka. The overall objective of SAWTEE is to build the capacity of concerned stakeholders in South Asia in the context of liberalization and globalization.

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