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Development Cooperation Review

DCR

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Contents

Editorial

This issue of the Development Cooperation Review (DCR) contains articles that deal with three different development topics. The first is maritime connectivity and the impact of maritime links on geopolitics, international trade and climate change. In particular, this issue emphasises the interconnectedness of the maritime economy, environmental protection and global cooperation. From a global and national perspective, it emphasises the need for innovative, inclusive approaches to managing our oceans and addressing broader geopolitical and environmental challenges.

Global interest in the maritime economy and connectivity is growing rapidly due to the geopolitical implications and scarcity of natural resources in marine areas. A key moment for this interest is the establishment of Exclusive Economic Zones (EEZs) under the 1982 United Nations Convention on the Law of the Sea (UNCLOS), which allows coastal states to manage resources within 200 nautical miles of their coasts. Since UNCLOS was ratified in 1994, more than 150 countries have joined. Outside the EEZ, the high seas are open to all countries. The United Nations General Assembly declared these areas and their resources to be the common heritage of mankind, to be explored and utilised for the benefit of all. The Treaty on the High Seas, which resulted from extensive negotiations, promotes the sustainable use and protection of marine biodiversity beyond national jurisdiction. The International Seabed Authority, founded in 1994, monitors the exploitation of mineral resources in the deep sea. It has awarded numerous exploration contracts for polymetallic nodules, which are essential for the production of electric batteries, but has yet to authorise commercial mining as regulation is still pending and a moratorium on mining is being called for. Maritime connectivity issues are intertwined with biodiversity loss, socio-ecological interdependencies and global economic, political and social inequalities.

Taking the above framework into account, Sushil Kumar's statistical analysis shows that maritime trade has quadrupled since 1970, with the participation of the global South increasing significantly and Asia playing a dominant role. Piera Tortora's paper "Can the ocean economy deliver a more sustainable future for all?" questions the sustainability of the ocean economy in the face of growing anthropogenic pressures and urges immediate action to improve the evidence base (especially for developing countries), private sector engagement and international development co-operation. Finally, at the national level, Subhomoy Bhattacharjee and Kartik Kishore's paper titled 'Unleashing the Animal Spirits of India's Maritime Sector: Comprehending

Maritime Financial Reforms' examines the financial reforms in India's maritime sector, highlighting the overhaul of regulations governing the sector and their impact on port competition and economies of scale.

A second topic covered in this issue of the Development Cooperation Review has to do with specific potential partnerships for climate action and clean energy development. These partnerships could be forged between different actors and regions. The Review issue you have in front of you focuses on two of them. Firstly, the article by Prerna Bountra, María Ortiz Pérez and Kitty Pollack entitled "The India-US partnership in the global fight against climate change" examines the fact that the United States and India have set ambitious goals for 2030. The authors are confident that a continued commitment of cooperation between the US and India through the G20, COP and other related forums would facilitate the search for global solutions to climate challenges. On the other hand, Italian Ambassador Vincenzo De Luca discusses the strategic partnership between Italy and India, focussing on economic and security cooperation in the context of the Mediterranean and the Indo-Pacific. His contribution "Converging Waters: Strategic Partnership in the Enlarged Mediterranean-Indo-Pacific Nexus" assumes that the enlarged Mediterranean region forms a geostrategic unit with the Indian Ocean. This unity could be further strengthened by the ongoing negotiations between the European Union and India, the further integration of supply chains and co-operation between Italy and India in third markets, with a particular focus on Africa. Both cases, US-India and Italy-India, are particularly relevant and interesting. They also point the way that invites new contributions in future issues of the journal on further partnership perspectives to continue the discussion and improve the comparative analysis.

A third topic covered in this October-December issue of the Review is about some of the challenges facing development cooperation and the need for new approaches. The interview with Prof Stefano Manservisi, one of the most capable builders of the EU institutions and one of the most active reformers of European development cooperation, is particularly relevant and fruitful. In addition, the interview enriches important debates that the Review has initiated this year. Indeed, it follows on from some of the points raised in previous interviews: for example, the one with Gael Smith (see the April-June issue of the Review) and the interview with President Bazum (see the July-September issue of the Review). It is also an echo of Serge Tomasi's ambassadorial perspective (see the April-June issue of the magazine). Manservisi makes the case for bridging the gap between the West and the Global South, he argues for the alignment of development approaches with the Sustainable Development Goals (SDGs) and insists on the need to further recognise the importance and relevance of triangular cooperation. Indeed, the innovative contributions of triangular cooperation cannot simply be reduced to a marginal and cute modality of traditional cooperation. Rather, they call into question the hypothesis and objectives of official development assistance. Overall, Manservisi calls for a focus on action and concrete results and emphasises that the challenge today is to actually achieve tangible results. In particular, Prof Manservisi calls on the EU to strengthen partnerships with the entire global South.

The book review is dedicated to another contribution to innovative development practises, especially in the field of climate change. Mario Pezzini's review of "Fixing the Climate: Strategies for an Uncertain World" by Charles Sabel and David Victor emphasises the remarkable contribution the authors make to new approaches to climate action and international cooperation. Rather than proposing efforts that focus too much on global diplomacy and building global consensus, Sabel and Victor shift the discussion from an almost exclusive emphasis on how to finance the transformation to a simultaneous and essential debate on what to do and how. In other words, the financial implications of transformation are undoubtedly important, especially for the poorer communities/countries. Not to mention that commitments are often poorly honoured and spending is distorted. However, the transition to a sustainable future requires more than just financial commitments and accountability. It is at least as important to focus on both the technological frontiers to drive innovation in specific sectors and the ways in which technological advances can be translated into reliable adaptations in specific places. In both cases, the solution is within our reach, through small vanguard clubs of companies and researchers that are ultimately open to the rest of the global economy, as well as through grassroots initiatives, local innovation and community-led approaches.

Sabel and Victor propose an "Experimentalist Governance" based on experimentation, learning and contextualisation, which makes particular sense in today's world: adaptive and iterative processes seem appropriate to deal with the uncertainty we face in the context of climate change and cooperation. In agreement with the authors, states, corporate clubs, researchers, workers and citizens should be invited to develop experiments that reach from the grassroots to the national and international level. These experiments would help central governments to find out which approaches work in which contexts, with multilateral organisations serving as "umbrellas" for legitimising climate action and suggesting methods and solutions from abroad. Sabel and Victor's vision for international cooperation focuses on sector-specific experimentation, knowledge sharing and peer review in contextualisation. This approach is not only relevant for climate policy, but also for other areas of development cooperation.

Can the Ocean Economy Deliver a More Sustainable Future for All?

Piera Tortora*

Abstract: The expansion of ocean economy activities provides new opportunities as well as risks for all countries, and especially for developing countries. Ensuring developing countries can benefit from an expanding ocean economy, and that sustainable practices are effectively integrated, are paramount to achieving a global sustainable ocean economy. This article discusses the elements of the systemic shift required to transition to an equitable and sustainable global ocean economy, underlining the centrality of evidence-based cross-sectoral policymaking, the mobilisation and alignment of private finance, and enhanced international co-operation.

Keywords: *International economics, Natural Resource Economics; Environmental and Ecological Economics, ocean, blue economy, ocean economy, environment and ecology, off-shore energy, sustainable development, sustainable development finance, conservation, just transitions.*

In recent years, a rapid acceleration of economic activities taking place in the ocean, or using ocean and coastal resources (Jouffray et al., 2020; OECD, 2016) has led many countries to consider the ocean economy as a potential new engine of economic development. From Norway to Portugal, to Indonesia, to the United States, to many small island developing states, the list of countries that have doubled down on investments in maritime sectors, or created national strategies and plans to develop their ocean economy, is growing rapidly. Globally, ocean economy sectors that have seen a particularly fast expansion have been off-shore wind energy, marine aquaculture, port activities, as well as tourism and cruise shipping. And while the COVID-19 pandemic has temporarily put a dent on many ocean economy sectors, such as tourism and shipping, overall trends seem to point to continued expanded economic activity in the ocean after the COVID-19 pandemic. This is broadly consistent with the OECD estimates produced prior to the COVID-19 crisis, which pointed that the ocean economy could double in size between 2010 and 2030, from USD 1.5 trillion USD in value added to USD 3 trillion USD (OECD, 2020).

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A sustainable ocean economy – one that conserves and sustainably uses the ocean – can be central to solving many of the key challenges we face globally today. If managed sustainably, the ocean has the capacity to regenerate, enhance resilience, and support more equitable societies. It can provide sustainable food, low-emissions energy and help us tackle the climate crisis.

However, to become sustainable, and deliver prosperity for people and the planet, the ocean economy needs to be part of a broader systemic transformation and of a fundamental re-think of economic models and business models. The state of the ocean and marine ecosystems was raising alarms already a decade ago when it was estimated that 60 per cent of the world's major marine ecosystems had been degraded or were being used unsustainably (UNEP, 2011). The cumulative impacts of anthropogenic pressures are pushing the ocean to conditions outside human experience, including increasing ocean warming and acidification, decline in oxygen, marine species decline, sea level rise and more frequent extreme weather events of the kind that have historically been rare (IPCC, 2019). The acceleration of economic activity in the ocean adds to these strains and highlights the urgency to change how economic activities integrate ocean use and ocean conservation and restoration.

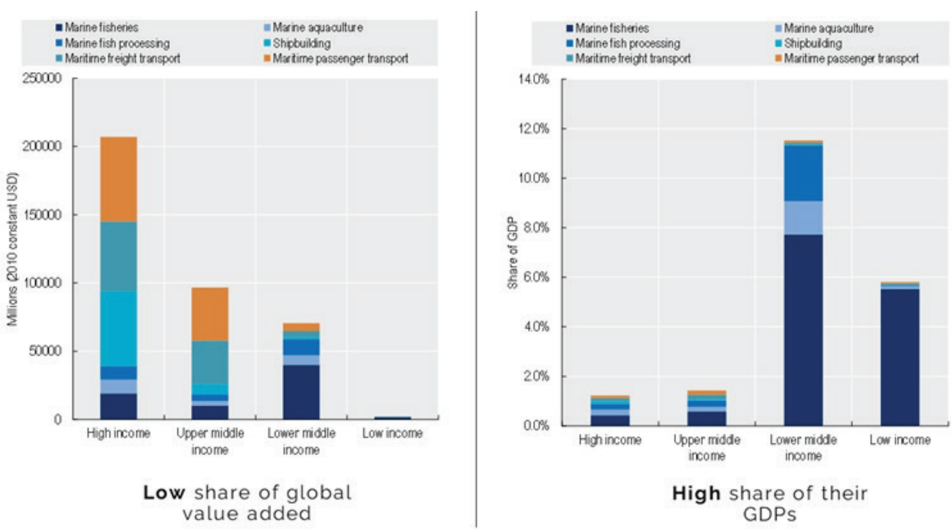
Developing countries are often in a paradoxical situation when it comes to the ocean economy, and increasing the benefits they can harness from the ocean economy will be a critical part of achieving a sustainable global ocean economy. On one hand, developing countries are already, on average, the most reliant countries on ocean economy sectors – such as tourism and fisheries – for jobs, foreign exchange, and income. At the OECD we estimate that ocean-based industries represent under 2 per cent of GDP for high income countries, but over 11 per cent for lower middle-income countries, and for some small island developing states' tourism alone can account for more than 20 per cent of GDP (compared to 2 per cent for OECD countries).[1] Yet, on the other hand, as depicted in Figure 1, developing countries capture only a small fraction of the global value added from the ocean economy, (OECD, 2020), and they face large challenges in tapping into the opportunities from new or emerging ocean economy sectors. per cent per cent per cent per cent For instance, small island developing states and coastal Least Developed Countries (LDCs) account for 0 per cent of offshore wind farming, the fastest growing sector of the ocean economy, and for 0.09 per cent of aquaculture, the world's fastest growing food production (Jouffray, 2021). Challenges in accessing the science, policy evidence and financing have considerably constrained developing countries' ability to harness new opportunities from the ocean economy (OECD, 2020).

Ultimately, the way existing and emerging ocean-based sectors will develop could either accelerate progress towards sustainable development in developing countries or exacerbate current unsustainable trends. For the ocean economy to become a driver of resilient, inclusive and sustainable development, it will be essential that developing countries can both tap into new sustainable opportunities from emerging ocean economy sectors that at present still remain difficult to harness and that the social, economic and environmental sustainability of existing ocean economy sectors be enhanced. For instance, many developing countries are already paying increasing costs from growing ocean pollution and climate change impacts on their marine and coastal resources Kirezci et al (2023) that threaten the future development trajectory of these sectors. These include increasing ocean acidity and ocean warming causing widespread damage to coral reefs and marine ecosystems, affecting food chains, fisheries and tourism. These trends reinforce the need to pursue sustainable models of development and sustainable ocean economies.

So what are some of the steps that will be required to turn the promise of a sustainable ocean economy into a reality?

It is encouraging that a transition to sustainable ocean economies is gaining international momentum, and in the past few years, an increasing number of national and international initiatives have focused on the ocean. Across the globe, countries have developed new policies, forged new alliances and created new funds to foster sustainable ocean economies. For instance, Japan recently leveraged its Presidency of the G20 to achieve the endorsement of the Osaka

Figure 1: The Paradox of the Ocean Economy in Developing Countries: they rely on Ocean Economy Sectors the most but Capture a Negligible Share of Global Value added from the Ocean Economy



Source: OECD (2020), Sustainable Ocean for All: Harnessing the Benefits of Sustainable Ocean Economies for Developing Countries
Note: Global value added by country income group in 2005-15, expressed in constant 2010 USD prices.

Blue Ocean Vision (G20, 2019), and Canada put the ocean at the centre of its G7 presidency in 2018, launching the Charlevoix Blueprint for Healthy Oceans, Seas and Resilient Coastal Communities and advancing the Oceans Plastics Charter (G7, 2018). Indonesia put the blue economy for the first time on the agenda of the G20 during its G20 Presidency in 2022, and India maintained a focus on the blue economy in its G20 Presidency in 2023 (Ministry of Environment of India 2023). Another initiative is the High-Level Panel for a Sustainable Ocean Economy, created by leaders from 18 countries from the global North and South and co-chaired by Norway and Palau as a collaborative effort to promote the sustainable use and conservation of the ocean. The UK has launched its Blue Planet Fund, a significant initiative to scale up ocean action.

However, more needs to be done. Below, I highlight three key areas where efforts will need to focus to support the systemic shift required to transition to an equitable and sustainable global ocean economy.

First, it is critical to enhance the evidence base available to developing countries to develop a vision and strategy for promoting a sustainable ocean economy. More and better data and evidence are needed to support the development of a coherent, unified vision and direction for the sustainable ocean economy, where the complexity of inter-sectoral interactions is understood, environmental, social and economic values are integrated, and adequate resources are mobilised across sectors. This is all the more important in the field of the sustainable ocean economy because the ocean economy encompasses a multitude of sectors, and enhancing sustainability requires both a unified approach that allows to identify and manage trade-offs and develop synergies and co-benefits across sectors, and a range of sector-specific actions. Evidence and policy making for the ocean economy are instead ,frequently fragmented, as responsibilities split across multiple sectoral ministries.

Several developing countries have established national strategies for a sustainable ocean economy and created dedicated ministries with an overarching responsibility for policy-making in the ocean economy (OECD, 2021). Among the latter are Barbados, Cabo Verde and Indonesia. Cabo Verde, for instance, created a Ministry for the Maritime Economy in 2018 with a broad portfolio with respect to the ocean that includes traditional maritime sectors such as transport as well as fisheries. However, all countries, and especially developing countries, face significant challenges in accessing the data and evidence needed to develop and implement these strategies, and would benefit from integrated ocean economy evidence to localise the actual risks and benefits from the ocean economy.

Second, the private sector needs to be an active part of a transition towards more sustainable economies – both for increasing the scale of sustainable investments for healthy and productive oceans and for crafting new, more environmentally and socially sustainable business models and products in ocean-based sectors. But this change will not happen on its own. Public policies and financing need to be proactive, actively co-creating markets and tilting the playing field in the direction of sustainability for shared prosperity.

Several innovative financial instruments have recently been developed to attract a broader set of resources for the conservation and sustainable use of the ocean. These include blue bonds, blue carbons, innovative insurance schemes, and debt-for ocean swaps (The Nature Conservancy, 2020; Silver et al., 2019; Pascal et al, 2018). In addition, blended finance has become a popular topic in ocean finance too – that is, the use of guarantees, grants, etc to increase the attractiveness of investments and structure returns so as to improve the commercial investments viability. But more important than the project-level mobilisation of private finance are changes at the system-level to mainstream sustainability in ocean investments. Public policies, regulations and financial levers need to ensure that sustainability is integrated into traditional financial services, in financial markets (e.g. stocks and bonds), and in credit markets (e.g. loans or bonds). A number of principles for responsible and sustainable investments have been developed recently that could help refocus investments (UNEP-FI, 2021). These are, however, voluntary commitments that call upon the goodwill of companies and investors. To be effective, they will need to be subscribed to more broadly and linked to clear and solid implementation and monitoring frameworks.

Third, international development cooperation has a key role to play in ensuring that the expansion of the global ocean economy is guided by institutional arrangements, policies and financial flows that are aligned with the imperative of sustainability and with the needs of developing countries and the world's poorest and most vulnerable people. Development cooperation has also significant role to play in facilitating developing countries' access to evidence, innovations, policy advice and financial resources needed to transform both emerging and existing ocean-based sectors into catalysts for long-term, inclusive and sustainable development.

However, while many development cooperation providers have long track records of support to specific areas of the ocean economy, such as fisheries or marine conservation, few understand and promote a sustainable ocean economy holistically, taking into account competing pressures as well as synergies across the ocean to foster greater resilience and sustainability. Also, while many international initiatives on the ocean are emerging globally, total development cooperation flows to support sustainable ocean economies remain disappointingly small. Through the OECD Sustainable Ocean for All Initiative, we estimate that in 2021 total Official Development Assistance in support of a sustainable ocean economy totalled USD 2.08 billion (OECD, 2023). This represents less than 1 per cent of global ODA, and it is also a 26 per cent decline compared to the previous year. Figure 2.

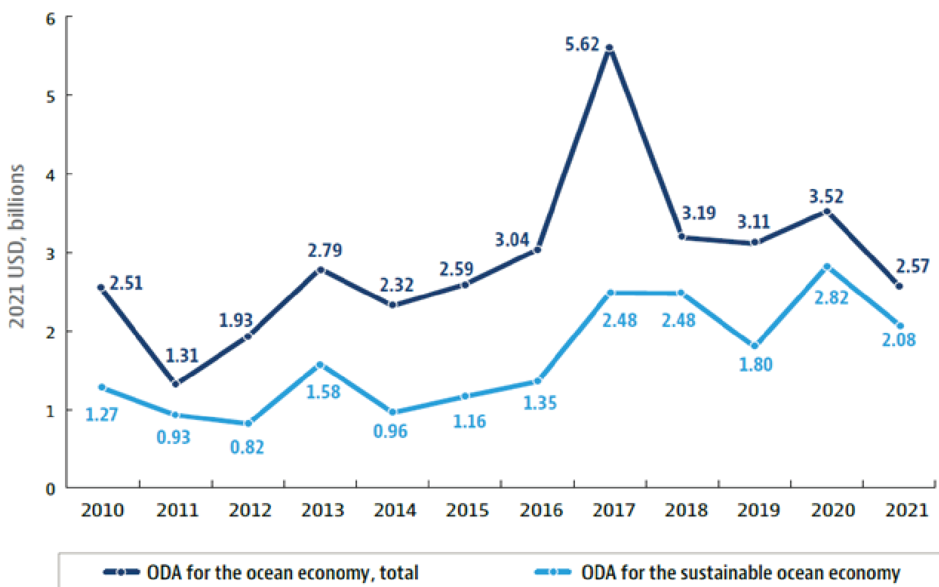
To help reverse these trends, the OECD Development Assistance Committee (DAC) has committed to stepping up efforts in support of a global sustainable ocean economy, including in its recent Climate Declaration (OECD/DAC, 2021). To support this commitment, the OECD Sustainable Ocean for All Initiative has started work to develop the first OECD Guidance for Development Co-operation in Support of a Sustainable Ocean Economy (henceforth 'Guidance').

The objective of the Guidance is to promote greater impact and coherence of development co-operation efforts in support of sustainable ocean economies across the development co-operation ecosystem, helping ensure that interventions respond to the new challenges and opportunities from an expanding global ocean economy, and that they are tailored to developing countries' specific circumstances and needs.

But this Guidance can only bring value if developed through an open and inclusive process, one involving not only OECD DAC members but also partner countries, international organisations and relevant stakeholders – to ensure that different perspectives, ideas and concerns are incorporated and translated into concrete recommendations for the interventions of development co-operation providers.

This is why the OECD has established an international multi-

Figure 2: Official Development Assistance (ODA) in Support of a Sustainable Ocean Economy



Source: OECD Sustainable Ocean for All (2023). Full database available at:

stakeholder group to develop the Guidance, which comprises OECD members, partner countries, as well as Academia, the private sector and many international institutions,, including from the European Investment Bank, African Development Bank, UNEP, UNCTAD, UNESCO, World Wildlife Fund, and many more.

This inclusive process will allow DAC members, developing countries, other international institutions and stakeholders to share knowledge, experiences, challenges and opportunities regarding the development of sustainable ocean economies in developing countries. It will allow to identify of existing gaps in development cooperation for a sustainable ocean economy, for instance, linked to the potential need for development cooperation to device new cooperation schemes and tools to ensure that developing countries are equipped with the instruments to assess new risks from the ocean economy and effectively pursue sustainable development opportunities. It will allow to identify of good development co-operation practices and innovative approaches that can deliver more effective and coherent efforts across the development co-operation architecture.

Conclusion

Overall, shifting to sustainable ocean economies implies bold and proactive policies that can help refocus economic activities and foster new sustainable economic models that conserve ocean and coastal resources and produce more sustainably. But effective policy making for sustainable ocean economies – in both developing countries and the international development community supporting them – is currently hampered by a lack of adequate evidence and a lack of long-term actions across the spectrum of policy areas relating to the ocean. There is a need to develop clear definitions, standards and principles for effective policy making on the sustainable ocean economy, to better track policies and finance, and to share good practices and lessons learned across countries and communities of practice. The OECD Guidance for Development Co-operation in Support of a Sustainable Ocean Economy and the broader OECD work by the Sustainable Ocean for All Initiative is a step in that direction.

Endnote

1 Figures refer to data collected with reference to six ocean-based industries.

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The India-United States Partnership for the Global Fight Against Climate Change

Prerna Bountra,* María Ortiz Pérez and Kitty Pollack*****

Abstract: As large greenhouse gas emitters, the United States and India are well-positioned to leverage their resources and robust bilateral partnership to accelerate low-carbon solutions demand, lead on Paris Agreement alignment, encourage Multinational Development Banks reform to enable climate finance for adaptation and mitigation mechanisms, and more. The climate agenda priorities of both nations were highlighted at the 2023 G20 Summit where the Delhi Declaration acknowledged that the only feasible global growth trajectory is green. This article highlights key areas of bilateral and multilateral climate discussions during 2023, both in the run up and during the G20 Summit, the BRICS Summit and the COP28.

Keywords: India - United States Cooperation, Climate Finance, Green Hydrogen, Global Biofuels Alliance, Critical Minerals, Mineral Security Partnership, India - Middle East - Europe Economic Corridor (IMEC), Multilateral Development Bank Reform, Cooling Collaborative, Global Stocktake, Net Zero Economies, Decarbonization Goals, BRICS, G20, COP28

Introductions

The United States and India have set ambitious 2030 targets for climate action and clean energy development. Prime Minister Modi and President Biden's administrations have invested significant political capital and resources into realising them.

In the U.S., the past two years have seen the historic passage of the Infrastructure Investment and Jobs Act of 2021 and the Inflation Reduction Act of 2022, representing the largest climate investments in the country's history. The Biden administration continues to develop its whole-of-government approach to tackle the climate crisis, while bolstering its domestic economy, with significant efforts made in transportation, the energy, agricultural and building sectors.

The Indian climate strategy was re-articulated at COP27 in November 2022, with the submission of the Long-Term Low Emissions Development Strategy (LT-LEDS), which provides a breakdown of initiatives by sector. The salient features of this strategy include the

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rational utilization of national resources with due regard to energy security, increased use of biofuels and of green hydrogen fuel to drive the low carbon development of the transport sector, sustainable and climate resilient urban development, and the improvement of energy efficiency, among others.

Together in 2021, the two countries launched the "U.S.-India Climate and Clean Energy Agenda 2030 Partnership" to drive urgent progress while signalling a firm commitment to working together in achieving their national climate and clean energy targets and strengthening bilateral collaboration across these issues. This mark of collaboration builds on many years of committed official and unofficial dialogue between both nations.

As much as we find ourselves at a historic moment for climate action, climate change being an electoral priority across the world, it is important, however, to look at current geopolitics, as they certainly have repercussions on both this bilateral and other multilateral fronts.

The India-U.S. bilateral climate cooperation in an evolving geopolitical order

India, U.S. and the critical minerals rush

After decades of globalization, pandemic-caused supply chain disruptions and commodity market fluctuations related to Russia's invasion of Ukraine have caused countries to look inward to boost domestic innovation and diversify supply chains to trusted allies. In fact, countries are "rethinking almost every aspect of their foreign policies, from trade to military alliances and energy security has joined climate change as a top concern for policymakers; together, these dual concerns are poised to reshape national energy planning, energy trade flows, and the broader global economy."

In this evolving global order, as countries transition to clean sources of energy, the demand for low-carbon technologies is poised to multiply. The production of these technologies requires components and critical minerals that are geographically concentrated. The demand for critical minerals, based on their use in batteries (for electric vehicles and grid storage), solar photovoltaics, wind turbines, and transmission wires, will rise significantly in the future.

Both India and the U.S. are wary of China's dominance in processing and mining within and beyond their borders, especially as this dominance has also been associated with poor labour practices. Both India and the U.S. seek to avoid any legacy of extractionism and are considering different models. Indeed, both countries can benefit from knowledge-sharing and collaborating on investment in third countries by leveraging the combined benefits of the Quad Partnership[3] and other minilaterals to diversify supply chains and help developing countries to process and manufacture the components they need while developing norms for responsible mining.

India and other emerging economies

Emerging economies, India included, are exploring ways to achieve their development needs while meeting their climate targets in an environmentally and geopolitically overheated world. In August 2023, the leaders of BRICS (Brazil, Russia, India, China, and South Africa) gathered in Johannesburg and invited six more nations to join their ranks - Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. The 11 members of BRICS will represent a higher share of global GDP based on purchasing power parity than the G-7 industrialized countries.

The expanded group represents 46 per cent of the world's population and 43 per cent of the world's oil production. This bloc, which now includes oil and gas exporters as well as two of the largest oil importers, could become another platform to facilitate bilateral deals for member countries looking to secure their energy supply. An expanded BRICS will have 72 per cent of rare earth reserves, 75 per cent of the world's manganese, 50 per cent of graphite, 28 per cent of nickel, and 10 per cent of copper (excluding Iran's reserves). The addition of Argentina would position BRICS with three of the five largest lithium producers in the world, alongside China and Brazil. This expanded group also portends an increased potential for new critical mineral supply partnerships, outside the scope of the Mineral Security Partnership (MSP).[4]

Resource pooling, however, does not equate to geopolitical cohesion. Added membership might mean added resources, but it also equates to additional bilaterals to simultaneously manage. On the one hand, a growing political confrontation between China and India already casts a shadow over BRICS and any attempt at creating a cohesive agenda. Some of the new members are regional neighbours embroiled in local resource disputes, which are unlikely to be swept aside before coming to the BRICS table annually. On the other hand, three of the six new members (Egypt, Saudi Arabia and the UAE) are security partners of the U.S. Their existing partnerships are critical to their national security matrices. This pursuit of enhanced South-South collaboration will not come at the cost of said trusted partnerships.

It is imperative to take a guarded approach while analysing the implications of an expanded BRICS. From a climate-energy perspective, there is an opportunity to build diverse critical mineral supply chains that would aid the existing just transition and development goals of member countries. At the same time, member countries could potentially secure new oil and gas trade pacts setting back their current emissions predictions. This will not be the last permutation of geo-economic minilaterals to prop up.

Increasingly climate-centric partnerships

The India - U.S. 2023 diplomatic calendar has churned out a number of promising updates on the climate front. The 58-paragraph joint statement of the Washington D.C. Modi - Biden Summit in June 2023, moved the needle ahead on the three primary elements:

- Finance: The two countries committed to create innovative investment platforms that will effectively lower the cost of capital and attract international private finance at scale to accelerate the deployment of greenfield renewable energy, battery storage, and emerging green technology projects in India, including a multibillion-dollar investment platform aimed at providing catalytic capital and de-risking support for such projects.

- Hydrogen: The two countries will collaborate to achieve their respective national goals to reduce the cost of green/clean hydrogen under India's National Green Hydrogen Mission and the U.S. Hydrogen Energy Earthshot. The U.S. welcomed India's decision to co-lead the multilateral Hydrogen Breakthrough Agenda.
- Critical Minerals: The two governments affirmed their intention to work together to ensure that their respective markets are well-supplied with the essential critical minerals necessary to achieve their climate, economic and strategic technology cooperation goals. The U.S. enthusiastically welcomed India as the newest partner in the MSP.

Three months later, in the lead-up to the September G20 Summit in New Delhi,[5] President Biden and Prime Minister Modi met again. Their joint statement highlighted progress in a number of areas:

- Finance: India's National Investment and Infrastructure Fund and the U.S. Development Finance Corporation exchanged letters of interest to each provide up to USD $500 million to anchor a renewable infrastructure investment fund.
- Co-innovation: The inaugural meeting of the India - U.S. Renewable Energy Technologies Action Platform [RE-TAP] took place in August 2023, under which the two countries will engage in lab-to-lab collaboration, piloting, and testing innovative technologies; advance collaboration on policy and planning to advance renewable energy and enabling technologies; support investment, incubation and outreach programmes; and implement training and skill development programmes to accelerate the uptake and adoption of new and emerging renewable technologies and energy systems.
- Decarbonizing the transportation sector: Electric mobility has expanded in India, in part because of India-U.S. joint support for a payment security mechanism financed through both public and private funds. This will accelerate the procurement of 10,000 made-in- India electric buses, including those for the Indian Prime Minister's e-Bus Sewa program, which will include the associated charging infrastructure.

These official announcements were certainly received as an auspicious beginning to the Summit and as positive signals towards a supportive policy ecosystem for investment and reliable platforms for collaboration.[6]

The launch of two landmark initiatives, which have far-reaching implications for the global energy transition, marked the beginning of G20 Summit weekend in New Delhi:

the Global Biofuels Alliance and the India - Middle East - Europe Economic Corridor (IMEC). India and the U.S. play a driving role in both. IMEC is an ambitious project aiming to connect India, Saudi Arabia, UAE, France, Germany, Italy, the EU, and the U.S. As disruptions in supply chains and energy security frameworks reset national and global decarbonization efforts, setting back emissions reduction targets globally, IMEC could provide a connectivity alternative to China's Belt and Road Initiative, for increased stability of Net Zero Emissions pathways.

As the 2023 G20 Summit concluded, three of the ten key outcome categories in the New Delhi Leaders' Declaration, adopted with consensus, were geared towards achieving emissions reduction and energy transition goals:

- The green development pact: These policy directives focus on resource efficiency and the importance of sustainable consumption; a clean, sustainable, just, affordable, and inclusive energy transition; on sustainable finance; the principles of an ocean-based Blue Economy; and building disaster resilient infrastructure.
- An action plan for accelerating progress on Sustainable Development Goals (SDGs) that reaffirmed and updated High-Level Principles based on new needs, such as harnessing data for development, financing for accelerating progress on the SDGs, targeted actions on transformative transition areas like digital transformation and a sustainable, inclusive and just transition, gender equality and accountability.

Reforms for international financial institutions: the Delhi Declaration asks G20 members to pursue reforms of Multilateral Development Banks (MDBs)[7] to address global challenges to maximize developmental impact, building on the recommendations of the Independent Expert Group on the MDBs' operation models, the scale of financing and system-wide strengthening, and the need to fit into changes to the global finance architecture at large.[8]

The outcomes of the 2023 G20 Summit are comparable in their economic impact, perhaps only to the outcomes of the 2009 G20 Summit in Pittsburgh, which had put together a coordinated set of policy actions to pull back the global economy from the brink of depression. The 2009 Summit's outcome was a reaction to a global recession and the 2023 Summit's outcome was in reaction to the current and projected impact of the climate crisis on the global economy. Through the Delhi Declaration, the G20 has acknowledged that the only feasible global growth trajectory is green: an update in focus which has proved to be a catalyst in the shift from a GDP-centric view of the world to a resilience-centric one.

Continuing the India - U.S. climate dialogue and cooperation

To further advance their national and bilateral climate agendas, India and the U.S. can continue building on their established partnership. Indeed, for over a decade, the "India - U.S. Track II Dialogue on Climate Change and Energy" has taken place as a nonpartisan gathering of high-level stakeholders from industry, civil society, academia, former cabinet and sub-cabinet government officials and thought leaders from the U.S. and India for this very purpose. The Dialogue aims to enhance bilateral momentum towards climate action and produce actionable policy recommendations for Track I or official diplomatic channels.[9] Through the years, the Track II Dialogue has persisted in its efforts, cultivating a trust-based bilateral platform, and building relationships between institutions that have begun paying dividends. These were most clear in Washington D.C. Modi - Biden Summit in June 2023, but also during the G20 meeting.

Climate finance remains the key to unlock climate action

Reforming MDBs to support low-income nations facing a disproportionate climate burden is increasingly urgent.

The U.S. and India can leverage their strong bilateral relationship to jointly encourage MDB wide-ranging reforms to support low-income nations, from the creation of de-risking facilities to reduce the cost of capital, mobilize finance, build resilient supply chains for clean energy technology development, and scale up transition bonds; to the increased deployment of extreme weather, disaster and pandemic clauses to enable more flexibility for recovery when countries are in crisis; consensus building around responsibly stretching resources available to MDBs and boldly implementing the Capital Adequacy Framework recommendations to expand lending; and the promotion of harmonizing visions for how MDBs define, prioritize and invest in global public goods.

There are also several steps the U.S. and India can jointly consider to de-risk the climate finance necessary for an accelerated clean energy transition, including jointly establishing a Global Clean Investment Risk Mitigation Mechanism to ease the flow of capital and access to non-project risk management tools in emerging markets, leveraging the Quad Partnership to push for a pooled technology de-risking fund for technologies at early stages of development, thus mitigating the risk of underperformance and boosting investor confidence to deploy these technologies more rapidly and collaborating with the private sector, including manufacturers, to achieve a comprehensive electric vehicle transition in India.

Promoting urgent adaptation measures to face extreme weather

The U.S. faced eighteen separate billion-dollar weather and climate disaster events in 2022, while India experienced extreme weather events in 314 out of the 365 days. It is, therefore, pertinent to prioritize resilience and adaptation measures in the short term.

Hence, the U.S. and India can turn this key focus on adaptation and increasing resilience by developing creative ways to mobilize finance, with a special focus on heat stress alleviation and partnerships on cooling solutions.

A "Cooling Collaborative" can ensure cooling progress is moving in both the U.S. and India, while encouraging cooling action plans worldwide, effectively building political momentum and potentially supporting efforts during succeeding COP meetings. Furthermore, the world's cooling demand is predicted to triple by 2050, contributing to 7 per cent of global greenhouse gas emissions (more than the entire Indian nation). Hypothetical cooling action plans will detail ways to make adaptation financeable and mobilize said finance, as well as outline innovative methods of combining adaptation and mitigation.

Seizing the opportunity of the fuels of the future

In the long term, the decarbonization agendas of both India and the U.S. will be served well by turning their mutual focus towards the development and deployment of hydrogen to meet emissions reduction goals. The two countries can work together to develop uniform regulations for a hydrogen marketplace and bolster domestic innovation for green hydrogen production to make it cost-competitive. U.S. legislation, including the Infrastructure Investment and Jobs Act and the Inflation Reduction Act, along with the Department of Energy's Hydrogen Shot initiative, use tax credits and direct funding to reduce the cost of hydrogen and create regional hubs to advance the development and deployment of clean hydrogen. India launched the National Hydrogen Energy Roadmap in 2006 to develop a research and development ecosystem and launched the National Green Hydrogen Mission (NGHM) in 2021. The NGHM seeks to scale up green hydrogen production and utilization across multiple sectors, ultimately making India a global green hydrogen hub.

Conclusion

The collaboration between the U.S. and India to advance climate-centric policies and their decarbonization goals through bilateral cooperation is a reminder that countries can neither ensure their transition to net zero economies alone nor can they afford to be isolated in the current geopolitical context. Strategic alliances remain essential to tackle the enormity of the climate challenge and to navigate the complexities of energy transition and energy security. Multilateral and bilateral action to address climate change - at COP and beyond - remains an opportunity to continue finding fertile ground for collaboration and to reimagine alliances that may seem improbable now but might very well prove necessary in the future.

Endnotes

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2 The Quad, composed of the United States, Australia, India, and Japan, is not a formal alliance, but a group that has intensified its security and economic ties as tensions with China rise.

3 The MSP is a collaboration to catalyze public and private investment in responsible

critical minerals supply chains globally that includes Australia, Canada, Finland, France, Germany, India, Italy, Japan, Norway, the Republic of Korea, Sweden, the United Kingdom, the United States, and the European Union (represented by the European Commission).

4 India took over the G20 Presidency on 1 December 2022 with climate action as the primary focus in both the Sherpa and Finance Tracks

5 Co-innovation, platforms for technology collaboration, cooperation in decarbonizing transportation and deployment of special task forces to oversee these separate functions have been prior recommendations of the Track II Dialogue in 2020 and 2021.

6 While all nine MDBs pledged in 2018 to become aligned with the Paris Agreement, as of 2023 they have neither made significant structural changes, nor allocated sufficient finance towards climate-related goals, and continue to fund fossil fuel projects

7 The adoption of MDB reform recommendations was on the table in October 2023, at the annual meetings of the World Bank Group and the International Monetary Fund in Morocco.

8 Co-hosted by the Aspen Institute Energy & Environment Program and the Ananta Aspen Centre, New Delhi, the Track II began in 2010, predating the Paris Climate Agreement.

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India's Maritime Sector: Understanding Maritime Financial Reforms

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Abstract: The Indian Maritime Sector is going through a massive regulatory change with the introduction of major reforms in the institutional architecture, rules of the contracts and fair competition. Tracking the nature of these regulatory reforms, specifically on the port sector, this article attempts to understand how these changes are transforming the maritime sector into a major growth multiplier of the Indian Economy from being a constraint or a persistent challenge. The article shows that these changes, which are referred to in this article as Maritime Financial Reforms (MFR), have been successful in bringing pricing freedom although they haven't been sequenced, which in-turn has the potential to set-off a competition amongst the ports leading to unleashing of the scale economies in their operations. The article does this by first understanding the broad administrative tenets and the regulatory framework of India's maritime domain. It then brings out the factors that have propelled the reforms. The article studies the MFR-model to understand the inherent reasons behind these major reforms and compares it with the erstwhile system. Comparison with the situation prior to the MFR shows, these have brought about remarkable changes in the performance yardstick of the ports. The analysis also demonstrates why growth policies for specific sectors in the Global South should not be preplanned, but allowed to develop in response to market needs. A large number of countries in the South have realised the need for maritime development, but make the cardinal mistake of taking on government-led framework without developing market supportive administrative capacities.

Keywords: Indian Maritime Sector, Regulatory reforms, Global South.

Introduction

Three major changes—in institutions, contracts and competition laws- have begun to transform the Indian maritime sector, that too at a massive scale. As a result, instead of operating as constraints, the sector spanning ports, shipping and ancillary industries are transforming into a growth multiplier for the Indian economy.

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The changes (referred to now as Maritime Financial Reform or MFR) were often spasmodic, done between 2015 and 2022, with the policy makers not offering a rationale for the sequence in which they were drawn up. But the MFR have begun to acquire a critical mass and has begun to draw attention to the intention of India to build up the sector to serve international trade.

What are the constituents of this MFR? India has liberated the pricing model for ports; begun to change the rules of contract to allow more space for investments in the ports sector; and relaxed the arbitration rules for the sector. The key element of these MFR are they were not sequenced, yet they have begun to show results, bringing in pricing freedom.

As a result, the three parts of MFR have thus the potential to set off competition among the ports leading to the unleashing of scale economies in their operations. We also anticipate possibilities of mergers, going ahead.

Literature Review

Transport economics has not been studied in depth in India, for a long time. Yet these costs constitute a sizeable portion of the end value of any product that is traded over some distance. Taking advantage of the transport revolution makes it possible to offer a range of goods to the end consumers at prices which are competitive. The follow-through implications on world trade are thus obvious.

In India, a national transport policy was not thought of till 2010. "In February 2010, the Government of India formed the high-level National Transport Development Policy Committee".[1] This, too, did not include the role of ports explicitly. Yet it is obvious that without such a policy, the critical role of ports and the consequent investment and regulatory changes needed therein shall not fructify. A seminal article proposed a composite operational port performance index (PPI) and carried out a breakpoint (segmented) regression analysis to study the impact of port reforms. Among other things, it proposed that "reforms may lead to competition and cannibalisation of profits and growth of ports in a dynamic environment".[2]

This issue has also been studied by Monteiro, Jeronimo Guilherme Remigio (2018), who have demonstrated that, on an average, growth in the Major Indian ports between 1996-97 to 2013-14, was due to innovation (technical change) rather than improvements in efficiency (efficiency change).[3]

This has also been elaborated upon in the Sagarmala approach paper issued by the Government of India in 2016 and further revised in 2023.[4] Yet, while the National Transport Policy had stated that there shall be an offer of equity participation and/or viability gap funding to the extent of 20 per cent of the capital cost of public transport systems,[5] such clarity was not feasible for the port-related sectors.

A paper that studies the recent regulatory reform and current institutional structure of the Danish port sector has found that to successfully aid the port sector in realizing its relevant goal of cost-efficiently producing goods handling services, the risk of opportunistic behaviour needs to be explicitly recognised and managed (Merkel, 2019). With regard to the global Maritime Arbitration race, India is trailing far behind. The legal interventions that occur in the process, despite the existence of the amendments, especially with regard to the arbitral awards, are still plentiful. Therefore, only with the legislative allotment of punitive powers and absolute autonomy can the nation be presented as a commercially viable business environment (Shanmugam, 2020).

The Context

For the purpose of this analysis, we shall focus on the port sector, though it is possible to examine others, like shipping too.

India has run a centralised administrative system for managing the ports. The 12 largest ports spread across various states are run by the central government, with the Ministry of Ports, shipping and waterways as the administrative unit. The rest of the ports are administered by the state governments. This created two classes of ports, Major, run by the central government and Minor, by the states.

The authority to divide these ports in this way emanates from the Union list of the Indian Constitution. "Ports declared by or under law made by Parliament or existing law to be major ports, including their delimitation, and the constitution and powers of port authorities therein".[6] Laws for all other ports can be framed by the states or the central governments under the Concurrent List.[7]

There is an evident problem when it comes to the difference between the major and minor ports on the basis of traffic handled at the ports. More than one Minor Ports, like Mundra Port in Gujarat, is now larger than eleven of the Major ports. Also, this port is run by a private sector company, Adani Ports and SEZ. The 12 Major Ports are all run by the central government, though a number of terminals at these ports are handled by private companies. We shall examine this dichotomy later. The Minor ports now handle 45 per cent of the total annual traffic throughput at Indian ports, which attests to the diminishing scale of operations of the Major ports.

To administer the Major ports, the central government issued a series of regulations over time. These are:

1. Tariff Authority for Major Ports,
2. Indian Ports Act, 1908
3. Directorate General of Shipping

Since Independence, India had pursued a policy of autarchy, especially till the liberalisation of 1991.[8] The fortunes of the port sector were also tied to this level of low ambition.

The changes in the Indian economy post 1991, did not have an immediate impact as the trade volumes did not rise. There was consequently no greater pressure on the port sector to engage with an expansion of capacity.

This has, however, begun to change for the following reasons:

a. Sagarmala programme, which sought to expand the potential of the port sector, but more from the point of view of real estate to link them with the hinterland.

b. The need to expand the sourcing of minerals from overseas, including even coal and now the so-called critical minerals.
c. The supply shock created by COVID pandemic brought home the realisation that ports are a significant bulwark for national safety.
d. The felt need to expand trade volumes to realise the ambition of a fast-growing economy.

As these cumulatively made themselves felt in the economy, the attention of the policy planners turned to the ports. One of the first interventions sought was to build a landlord seaport model, which would not only reduce the public sector budget demands but will also improve seaport performance. This, however, would need a regulatory environment conducive to public–private partnerships. Terminal operators need to be provided with an environment that deems concession contracts viable over the duration of the project (Nicole, et al., 2022). Another study on the identification of key factors impacting the efficiency of the Indian shipping logistics sector highlights that there needs to be a more effective balance between the private and the role of the government intermediated via the role of regulation. It is only on the basis of such clear role play that a public–private partnership can evolve to ease the financial constraints that prevent Indian ports from bringing their facilities and infrastructure up to global standards.

As Monteiro and Jeronimo Guilherme Remigio (2018) show in the absence of these reforms, growth in the Major Indian ports between 1996-97 to 2013-14, was mostly due to innovation (technical change) rather than improvements in efficiency (efficiency change).[9] In the absence of investments as terminals have become congested,[10] "container terminal efficiency has declined".[11]

Although the government encourages private sector participation in the development and operation of port infrastructure, the realization of these plans will largely hinge on structural and systematic improvements to achieve necessary infrastructural and operational proficiencies in tune with future trade requirements (Hussain, 2018). There is a need to develop a future recovery strategy for organisations from a long-term perspective and support from the government to overcome the impact of COVID-19 on maritime domain organizations in India (Narsinha, 2021).

For the purpose of this paper, we shall refrain from offering a chronology of these changes, but instead focus on the MFR package. This paper studies only the Major ports.

The MFR Model

In this segment, we shall study why the MFR model based on the incorporation of price signals is a significant value addition to the maritime sector.

What was the reason for the central government to embark on MFR? Between FY15 and FY23 the operational surplus of the Major ports (difference between operating income and operating expenditure) has come down from 64.68 to 48.54. It is a consistent decline with no discernible position where there has been an attempt to reverse the decline.

The reasons are as follows. Till the early part of this century, all the Major ports had their tariffs fixed by the Tariff Authority for Major Ports or TAMP. The Tamp model was based on the cost of capital, so typically, a port with a higher cost of capital stood to advantage. This made the Indian ports uncompetitive.

For example, port call costs are higher in India than at foreign ports. Port call costs work out to US$ 108,437 and US$ 64,592, respectively, at the New and Old Terminals of Nhava Sheva (JNPT) compared with US$ 12,043 at Port Klang, US$ 16,158 at Jebel Ali, US$ 17,235 at Singapore and US$ 19,308 at Colombo. These are sizeable orders of difference.

The model made the Indian tariffs higher, but without the incentive to cut capital costs, provided no incentive for these ports to reduce those. Administratively set rates, every year left no room for any incentives based on price signals to operate.

The MFR Change

The financial viability of the ports in India will get an upswing thanks to three key changes carried out by the Ministry of Ports, Shipping and Waterways (MOPSW). These are a) Revision of Model Concession Agreement (MCA), 2021, b) Formulation of Tariff Guidelines, 2021 and c) Establishment of the Society for Affordable Resolution of Disputes - Ports (SAROD).

Investors in any sector need certainty in the use of their money. They are comfortable with business risks but would not wish additional risks. For the ports business, which has a long lead time, this is of even more concern.

An investor will be willing to consider the business risk of the rise and flow of traffic at a terminal but will be baulked if there are more risks, like not being able to set prices attractively to bring in more ships, or if there is a dispute with the landlord who has leased out the terminal has the cover of a protracted dispute resolution to scare him from contesting those in courts.

As India now rushes to compete with the global mega ports, offering certainty in the finance for the investors has thus become the sine qua non to bring in finance, for the targets set. The principal target is that by 2030, more than 85 per cent of the cargo handled at the major ports should be by means of Public Private Party operators or concessionaires, which essentially means companies, whether in the private or the public sector.

This is an admirable target because it makes clear how sharp is the challenge in terms of timelines. MOPSW has already broken up some of the targets into implementable bits. For instance, 31 port projects involving mechanisation and modernisation have been identified to be developed on PPP basis to be completed by 2024-25. To put these numbers in perspective, all the berths in the Major Ports are expected to be mechanised by 2030, a seven-year target.

These are all subsumed in the Maritime Vision—2030.

This context brings into relief the enormity of the three reforms undertaken by MOPSW. Combined, these reforms, perform a singular duty. They offer the certainty to the investors that their financial arrangements with the government shall be on rock-solid footing.

All of these are based on the premise that the governance model of the ports will be based on what is called the Landlord Model. In other words, the Port Trust or any other government entity with the ownership rights shall not also try to operate the business end. The Revision of Model Concession Agreement (MCA), 2021, is based on this premise. It restricts the power of the landlord in dealing with the operators which will run the terminals. It not only makes clear the responsibilities and obligations of the authority and private party with the landlord but also introduces clauses related to the termination payment prior to Commercial Operations Date (COD), changes in cargo due to unforeseen circumstances, as well as permissible changes in regulations.

What are the aspects that the new MCA 2021 offers:

1. The total project cost shall be deemed to be modified to the extent of variation in Price Index occurring in respect of Adjusted Equity.
2. Payment of Royalty by private operators to port shall be based on per Million Tonnes of Cargo handled instead of Percentage of Gross Revenue Basis.
3. Rates of royalty per Million tonnes of of Cargo/TEUs will be indexed so as to account for variations in the Wholesale Price Index (WPI) rates announced by the Ministry of Commerce and Industry.
4. The royalty payment to ports will undergo the same variation as WPI variation, which is a rise for general inflation and is not an increase in royalty.
5. The Agreement has scope for provisions assuring a revenue window of up to 45 years and with provisions to update those.

As a Parliamentary Standing Committee examine the changes, note appreciative, these should enhance the Ease of Doing Business (EoDB) in the ports sector in India.

This is because, in the absence of this revision, it becomes necessary for the parties planning to enter the business with a major port, to work out customised contracts. Those contracts, by their very nature, can become opaque as parties try to work out favorable terms for themselves. A standardized model concession agreement wipes out such possibilities. Given that all and sundry shall be drawing up such contracts, the model frees up valuable space for MOPSW to work out policy issues instead of having to read each agreement for hidden risks.

It is the same concern that animates the second piece of reform, viz Formulation of Tariff Guidelines. These guidelines allow the concessionaires at these Major Ports to set tariffs as per market dynamics and sharing of revenue with the Port Authority as per the bid condition and Concession Agreement.

It is necessary at this stage to pause and consider, the scale of investments being drawn up. Almost since Independence, successive governments have worked on the premise that the ports should not compete on price. Instead, their draw for building volumes at the terminals should be the services they offer. While laudable, this has made the ports entirely dependent on the now defunct government body, Tarif Authority for Major Ports, to change prices in any direction.

Returns on capital for the ports were, therefore, necessarily set at rock bottom rates as there was a long time lag when they could change prices, in response to changing global dynamics of the business. This, in turn, made the ports dependent on government financing to build up new facilities and offer a faster turnaround. It is no surprise then that till now only 35 per cent per cent of total berths at major ports are mechanised. The only exception is Kandla which has all of its berths mechanised. Given the global challenges, MOPSW has rightly decided that all port terminals must be mechanised by 2030. It is therefore essential that the ports must earn the money to make that happen.

The investment required for the ports to make those happen is upwards of Rs 2.5 trillion, just under the Maritime Vision —2030. In fact, it is only now that with the removal of the cobwebs of arbitrary price fixation that the scale of investments is being drawn up. To give an example, two existing major ports Deendayal Port and Paradip Port, have been identified to be transformed into Mega Ports having cargo handling capacity of 300 plus MTPA. The proposed Vadhavan Port of Mumbai will also be developed as another Mega Port, having a similar cargo handling capacity of above 300 MTPA.

The third leg of this reform is the change in the arbitration procedures in the sector. This is the establishment of the Society for Affordable Resolution of Disputes - Ports (SAROD).

There is no way to assume that despite all the precautions of free pricing and non arbitrary concession agreements, there shall not be disputes between the lessors, the terminal operators and the landlords, the port authorities. In May 2022, MOPSW issued the 'Guidelines for dealing with stressed PPP Projects at Major Ports' for reviving the stuck projects and unlocking blocked capacity".

The changes are in sync with the proactive steps the other departments of the government have brought in to alter the environment for arbitration in India. To put all of that in context, plenty of regulatory changes are happening in the field of arbitration in India. Before 2023 is out the Centre will make public a report of an expert committee to recommend reforms in the Indian Arbitration and Conciliation Act of 1996.

Arbitration happens when parties to a contract seek to avoid a court case, seeking instead a reconciliation mediated by an informed agency. It is a huge business globally, with the seats usually located in the financial capitals of the world. Not a surprise that where arbitration works fast, investments follow suit.

Once the parties choose arbitration as the mode of dispute resolution, the Indian Arbitration and Conciliation Act, 1996, has to become applicable for such proceedings. But till now, due to the perceived weakness of the arbitration ecosystem and the tendency of civil courts to interfere with such awards, cases have moved to foreign seats, mostly Singapore and London.

Sarod, as the name suggests, is the platform that can make arbitration less taxing. Moreover, in the event of the constitution of a statutory Adjudicatory Board as per provisions of the Major Port Authorities Act, 2021 or such other forum with powers to receive and adjudicate upon disputes between the concessionaires and the landlords, all disputes not settled through conciliation, can alternatively be referred to this Board with the mutual consent of the parties, and of course in accordance with the applicable laws.

That this matter is made clear by the response of the investors. Already demands are streaming in to make some of these provisions, apply for existing contracts too. For MOPSW, the demands demonstrate that the steps have arrived at the right time.

For a new sector like that of ports that these have begun to roll out in unison is a huge game changer. A PPP agreement with an easy means to settle disputes outside of court offers the safety of capital essential to swing the investments. For investors peeking into the Indian maritime sector, these are thus the biggest possible inducements to make their decisions.

Global South and the Maritime Regulatory Reforms

Tracking the sequence of and the nature of MFR, according to us, is a fine illustration of why growth policies for specific sectors in the Global South should not be preplanned, but allowed to develop in response to market needs. For instance, a recent study by the International Monetary Fund says that emerging markets and developing economies not only need to focus on reigniting the growth but also must be able to manage rising debt (Aligishiev et al., 2023). Explaining how regulatory changes and other market reforms can ease this challenge, the study presents examples of lowering barriers to entry in utilities markets, establishing financial supervision and regulatory frameworks, and lowering restrictions on foreign exchange transactions and cross-border capital flows. There is an inherent cost to such changes, but those are often less, as we shall show for the maritime sector, than those incurred via a supposed ex-ante policy framework run as administrative fiats.

The cost of building a port is often in excess of US $1 billion. In Africa for instance, less than 10 nations have a GDP of over $100 billion.[12] This means investment in the maritime sector draws a disproportionate percentage of the resources of a country's economy, with returns often not expected to accrue for close to two decades. In the current indebtedness position of these economies and the limited resources of multilateral institutions, it is important, therefore, that these trade-offs in terms of policy choices are clearly understood.

The MFRs offer a feedback loop which can potentially reduce the cost of these trade-offs. Small nations not only have fewer resources, but they are also short of administrative experience. To deploy those limited resources in drawing up investment and others in the sector is, therefore, a significant cost. This need not happen as there are price-based policy parameters available and can be drawn upon.[13] For nations with, say, a single port, a price-based package, as the MFR is, can be used to create a competitive environment even across the borders, creating scale economies.

Literature review of developments in the African continent estimates that an "enabling environment is essential to meeting the major investment needs for national and regional infrastructure in Africa through public-private sector partnerships".[14]

Realising these potentials, UNCTAD has called for investment in maritime supply chains to enable ports, shipping fleets and hinterland connections to be better prepared for future global crises, climate change and the transition to low-carbon energy.[15]

As we shall also show, these have the potential to create a growth window that can draw in global finance, despite no apparent specific advantage for the sector. It has happened for India and is, therefore, an easily replicable model.

Conclusion

The article has discussed the three major reforms that are massively impacting the Indian maritime Sector. These changes in terms of institutions, contracts and nursing competition are transforming India's maritime sector from operating as constraint to propelling the country towards $2 trillion export economy coupled with strength of ports, shipping and ancillary industries.

Looked at in isolation, the scale of these changes are often unclear. Their combined impact is, however, considerable. The result is expected to be a serious upside in the flow of finance for the sector, including that of shipping. This is something that India has been missing for a long time but is now in line to get reversed. It means the series of steps to bolster availability of finance for the ports and shipping sector put into operation by India, has begun to bear dividend.

To put those numbers in perspective, there is a scope for investment of about Rs 4 trillion in the Indian ports, shipping and inland waterways sector by the end of 2030. This would push the capacity addition in the ports to above 4000 MTPA by then.

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North-South cooperation and partnership: Mind the gap Interview with Stefano Manservisi

Professor Stefano Manservisi served as Director-General at the European Commission, of International Cooperation and Development (DEVCO), for Migration and Home Affairs, and for Development and Relations with African, Caribbean and Pacific States. Currently, he is the Chair of the Global Community Engagement and Resilience Fund, Adjunct Professor at Sciences Po/ PSIA and EUI School of Transnational Governance.

Development Cooperation Review (DCR): Professor Stefano Manservisi (SM), you have long tried to bridge the gap between the so-called West and what we now refer to as the Global South - is a new relationship possible? How can we help the EU reform its approach to the developing world from a partnership perspective rather than that of a donor?

SM: Not only is it possible, but it is necessary and even urgent. In the West, and certainly in Europe, albeit in a different way, we have been contributing towards developing this sort of gap. We have been witnessing this gap develop between the so-called West and the Global South. Ironically, until a few years ago, the common language was "emerging power," referring to China, Brazil, India, etc., which many found laughable because these countries had already "emerged," and more. This was based on a certain assumption of the centrality of the West, the centrality of Europe, and the centrality of the United States, and this was the starting point in looking at the other. This was a big mistake. This gap has now become not only very big, but also very complex, not only in terms of being recognised,but in terms of values, in terms of approach to crises in the world.

I think it is not only an objective for those dealing with "development" - and this should also be redefined - but also for all those observing the state of the world. If we look at the votes in the General Assembly, starting from Ukraine and now on the Hamas-Israel war, there are different visions and there is the risk that this gap will increase further.

Now, not only is it possible to close it, but we must all work in order to do so because the new equilibrium - which in itself is a compromised concept, rather a new way of living together - can only be reached by building it together and starting with the existing powers like China, Brazil, India, etc. So, therefore, it is possible and necessary.

Secondly, you refer to the European Union and the EU's development policy. I think we have to make the distinction because the European Union, if I may say, should remember and believe in what the peculiar characteristics of the European Union are in order to play a stronger and more effective role. If you go back to the root reasons behind the European integration process, you have to recognize that the European Union has been specifically created on the basis of values which are supposed to be universal, but not imposing them on anybody. In 1958, the idea was to create the conditions for no more war in Europe, building shared prosperity, through democracy, solidarity and fundamental freedoms.

As a consequence of this approach, the idea that the European Union would never bring war prevailed, and therefore it was not only an approach concerning only the Europeans, but it was a characterization of the European Union as a would-be power where war, aggression, imperialism - you can call it as you will - were antagonists with this idea of Europe. Europe was built on solidarity, built on human rights, on democracy also, but also on the recognition of differences. This inspired the international projection of Europe, notably through its development policy. Whether the results were up to these ambitions and whether the EU has been fully credible is a matter for debate, of course. But this was part of its DNA. Today, what is happening in the world is putting huge stress on this construction and there is an issue for the European Union to be able not to lose this DNA, while responding to unprecedented challenges and to build its political decision and political action accordingly.

Unfortunately, I have to say, and I'm very critical, today the prevalent idea is that in order to grow up, the European Union should become not only geopolitical, which is perfectly correct, but geopolitical in the security sense, meaning to possess an army and to become a hard security big player to fulfil its objectives. While having an army is certainly necessary for Europe, I perceive that in the minds of many, this is the main, if not the only, way to grow up. To my mind and the minds of many others, this is an important complement which must not overshadow our founding DNA elements, which are those to build just and sustainable peace as a method of rejecting colonialism, imperialism and any logic of dominance. Maybe one can say that this logic is closer to the US approach for a number of reasons, but it is certainly not in tune with the very founding reasons of the EU.

Today, Europe is at a crossroad. On one side, it is absolutely necessary for the EU to support Ukraine, but what next with our big neighbour Russia and the Russian people? On the other side, even more today, with the Hamas and Israel war it is clear that here the EU is at the centre of a situation that we always said in political terms is not sustainable. In spite of this, the European Union didn't do anything to address the situation.

In this context, the development policy of the European Union, which has a long history, even well before having a legal basis to call it a 'development policy' (the Lomé agreement, for example, was more than a development scheme, it was an international agreement with the biggest group of developing countries - the Global South, as we would say today) which kind of role can the EU play?

Firstly, getting away from a restrictive definition of 'development' because today, in reality, and at least since Agenda 2030 and its Sustainable Development Goals, it is a form of cooperative action to address global issues, where solutions must be found jointly because it is a question of correct policies, a question of rules and obviously also a question of money. Therefore, firstly, development is implementing SDGs and it is not 'donor' and 'beneficiary' anymore.

Secondly, the idea of the perception that in any case, even in language, the European Union must get rid of the old toolbox and the old language and concepts of donors, etcetera, now is common. Jean-Claude Juncker wanted to say that openly in 2017, when he said, "let's stop donorship and let's be driven by partnership". President Von der Leyen went further, and she was very clear since the beginning of her mandate, even changing the name of my former DG into "partnership", and rightly so. Leaving the political correctness of the wording aside, it is true that there is now, speaking for the European Union institutions at least, the awareness and the determination to build partnerships, and therefore a different way to build the agenda with Africa, for example.

But a great deal must be done to leverage this. You have seen the EU-Africa summit last year; the final conclusion was "Two Unions, One Vision", which signalled a shift in mindset. However, in Ukraine and even more so in Palestine, it is hard to say there is but 'one vision'.

We have to realise that this EU-Africa relation transcends a mere bilateral relation, it impacts several fronts and we have to listen carefully to all interlocutors in the whole Global South, such as India and others. However, this broader perspective is, in my opinion, not fully grasped within the European Union. There is room for improvement in how the EU engages with Africa, for example, emphasizing a partnership that extends beyond a simplistic view of "European-African relations." Instead, it should be seen as a contribution to a comprehensive global agenda. This collaboration is not about pursuing isolated benefits for Europe, nor for Africa, but it is rather a contribution to the overall political shape of the world and of its economy. Take trade, for instance - a prime example - while it is imperative for Europe to maintain and enhance access to its market, the approach differs from practices in the 1990s. EU industrial policy in the making requires working collaboratively with African nations to facilitate their integration into international trade, recognizing that it is essential for redefining supply chains not only in the EU interest, but in the broader interest of the global trade system as well. In this context, urging

Africa to expedite initiatives like the Pan-African Free Trade Area becomes crucial. The intention is not to impose a model but to share experiences.

This awareness extends to EU relationships with other significant players such as India, Brazil, and China, placing these interactions within a broader context. While acknowledging political differences and even contrasts, especially with China, when it comes to development, there must always be room for collaboration to explore. Hence, the prospect of collaboration is not just plausible but imperative for navigating the complex dynamics of our shared global stage.

DCR: Professor, you advocate for reform of the system of cooperation, and you are in a position to push this forward. Rethinking measurement of development and success, or economic growth for a country, peer elaboration of development strategies, building global public goods, and cooperation governance. Where do we stand on this concept of "development in transition"?

SM: When we started discussing and conceptualizing "development in transition", we had two objectives. The first is to go beyond the characterization and the categories established by the DAC in terms of eligibility to ODA. In transition, why? Because precisely at the time, the issue was "why Chile, Uruguay and the Caribbean islands", for example, the so-called countries that 'graduated' and therefore got out of the eligibility criteria of ODA and development action. The point was, having listened carefully, especially to the small islands and to Latin America, that we found that this categorization was brutal and counterproductive. Development is a process. Therefore, the first objective was to keep these countries under the radar. They don't necessarily need a lot of money, but development is not only about money; it's about sharing, working together, and, yes, also money. If we restrict it to eligibility, policymakers and governments get frustrated when they don't see a reason as they shift from needing assistance to needing partnership.

So, the first objective was to address the link between being an eligible country and a non-eligible country, especially the middle-income ones, shedding light on the fragility, particularly the level of inequalities in these countries. Instead of focusing only on GDP or GNI, we wanted to focus on the complex elements of bringing a country forward in a sustainable way. In my experience, our analysis indicates that attempting a clear-cut separation between political activities and development is, frankly speaking, a mistake, both from the political and the development angle. Moreover, there is a need to revisit and update the development concept in alignment with the Sustainable Development Goals (SDGs), maintaining it as an active agenda even with countries that, from a formal GDP perspective, were relatively affluent. This was the initial idea, and I believe it has gained widespread acceptance within the European Union and the OECD development system (still hoping the DAC will follow eventually). Policies reflecting this perspective have been formulated, evident in the recent EU-Latin America Caribbean summit discussions, where this language was prominently featured. There is still a great deal of work to do, but I am optimistic.

The second is the operational implementation, particularly through promoting triangular cooperation. Triangular cooperation was our way of exploring what Mario Pezzini and I called 'functional or experimental multilateralism'. It's a way of saying, "Look, we can have big political problems in some areas, but if we are all committed to the SDGs, we should find ways, not just bilaterally but multilaterally (for example, triangularly) mobilising capacities, resources, experiences, brains and people of partners from the South, believing that solutions don't only come from the North." This was the second component of the "development in transition" concept. I think that while the concept is well embedded now, triangular cooperation is a bit more challenging because there is a tendency in the Global South to promote the South-South as a political alternative ("we can do it on our own, among ourselves"). I do not think this is in our common interest, since it limits the potential global leadership of many from the South and it indirectly plays the China game. But if China obviously has a hegemonic vision and project, I am not sure this is valid for countries like India and Brazil, which don't necessarily have the same idea of superpowers, being more driven to solve problems effectively. Therefore, on this second component, which is the implementation, there's still a lot of work to be done, and trust-building is crucial.

DCR: Can we repair fractured global relations by focusing on regional relations first?

SM: There's no quick fix because there is a trust issue which is amplified, particularly visible. Now on the solidarity with Palestinians. Regardless of one's perspective, for those who have been travelling in the Global South for decades, as I have, in discussions with political figures, civil society, and ordinary people, there has always been the perception and conviction of double standards. For example, concerning the International Criminal Court, largely targeting the South. With the current situation in Gaza, recognizing the victimhood of Palestinians not only in Gaza but for decades requires nuanced consideration.

Trust needs to be rebuilt or, rather to be built on a new basis, and this is a test that should be applied to various areas. Climate change is another such area where the perception in the Global South of double standards, such as on the energy transition or financial responsibilities.

However, to translate it into action, it also requires many in the Global South to play differently, and explicitly call on China and the Arab states to contribute to the loss and damages fund, for example, acknowledging their responsibilities along with the North. It's a question of money and of responsibility. Climate change is probably the field in which the concepts, ideas, and ways to close the gap can be pragmatically successful. It's doable.

Certainly, regional integration and cooperation schemes play a crucial and beneficial role. However, it is imperative that these initiatives remain open to the global community, fostering interactions and addressing worldwide challenges. Their primary aim should be to contribute to resolving global issues. It is essential to guard against the risk of these efforts becoming inward-looking or adopting protectionist measures. Such a shift could potentially lead to increased tensions and the emergence of new forms of nationalism, despite the seeming paradox.

DCR: Following up on a recent interview of yours for EUI TV, which is more important to progress or development; the strategy, the framework, the implementation, or the people? Which element would you see a priority?

SM: I believe we need to shift our focus to actions and concrete deliverables. While we often discuss strategies, the key lies in implementation. The example of migration illustrates this point vividly. The challenge is not the absence of strategies on paper, but the actual delivery of tangible results.

For instance, when it comes to migration, Europe, driven by internal political reasons, is compelled to show it is able to manage its borders in an effective way. African states understand this need and are keen to cooperate. The challenge lies in translating cooperation into tangible results for everybody, notably creating jobs and attracting investments. Despite some progress, particularly in infrastructure development, much remains to be done.

Addressing the issue of mobility, fellowships, research opportunities, and student exchanges, but the existing schemes are fragmented, complicated, and not easily accessible. Visa problems and high rejection rates further hinder these movements. An integrated and streamlined policy with visible results is lacking.

Regarding regular migration for work, in spite of a widespread narrative describing Europe "flooded" by migrants, Africans in particular, the reality is that the EU needs more migrants to fill vacancies in the labour market. But the problem is that EU member states decide individually on quotas, considering their own situation, as if the EU's single market did not exist. A more coordinated and consolidated approach would be needed. Let's imagine if, at the next summit with Africa, discussions would address not only border management but also how to facilitate regular migration of one or two million African workers for the whole of the EU's single market. And this approach could be followed vis-à-vis many regions and countries in the world.

Another tangible commitment from the Europeans in recent years has been to significantly reduce transaction costs for remittances. While progress has been made over the years in lowering these costs, they persist at levels that are still deemed excessive. The costs are often linked to the perceived risk associated with the destination country. This is a clear example of where meaningful contributions can be made.

By addressing these challenges, the EU would strengthen the partnerships with the whole of the Global South, and it would send a powerful signal towards addressing issues related to mobility and migration on a global level.

Thank you!

Converging Waters: Strategic Partnership in the Enlarged Mediterranean-Indo-Pacific

Ambassador Vincenzo De Luca *

In recent years, we have witnessed an increasingly frequent convergence between two seemingly distant regions: the Mediterranean and the Indo-Pacific. This convergence has been driven not only by trade and supply routes for raw materials and finished products but also by complex geopolitical factors.

In today's age of "unpeace",[1] where everything has the potential to be weaponised, trade routes naturally acquire geostrategic value, calling for multifaceted interactions and adding new dimensions to state-to-state relations. Historically, trade between Asia and Europe has always been there, but only in the last few years we have realised that it can be easily hampered, with consequences that reverberate in the depth of our economic and social fabric. This is when a number of "Indo-Pacific strategies" have started being elaborated in the West.

Following the example of some member states, the European Union issued its own strategic outline in 2021, acknowledging the relevance of the Indo-Pacific for its security and well-being. Two years afterwards, and in an international environment shaken by two appalling conflicts, Europe continues to be deeply dependent on the security of sea lines of communication through the Indian Ocean.

This is even more true for Italy, an export-oriented country placed at the centre of the historically turbulent region of the Mediterranean. As underlined by President Meloni in her address to Raisina Dialogue in Delhi, earlier this year,[2] Italy looks at the Indo-Pacific from a very specific angle: that of the enlarged Mediterranean. The enlarged Mediterranean concept goes beyond the traditional borders of "Mare Nostrum". Indeed, rather than a separate entity,

*Ambassador of Italy to India . Views are Personal.

the Enlarged Mediterranean forms a geostrategic unit with the Indian Ocean, through the Arab Sea, the strait of Bab el Mandeb, from the Red Sea to Suez. And Italy, with its geography as its destiny, sits in the very centre of the Mediterranean Sea and acts as a natural bridge towards the Indo-Pacific.

Since long our country has invested in the security of the chokepoints at the conjunction between the enlarged Mediterranean and the Indian Ocean. This is why it is the second largest contributor to the naval missions EUNAVFOR Atalanta (in the Gulf of Aden) and European-Led Maritime Situation Awareness Mission EMASoH (in the Strait of Hormuz). In parallel, it has deepened its bilateral relations with many countries of the Indo-Pacific and partnered with the main regional international organisations.

The case of India is emblematic.

The strategic partnership between Italy and India, established during the meeting between Prime Minister Meloni and Prime Minister Modi in March, aims at fostering economic and commercial cooperation, connectivity and security as three mutually-reinforcing pillars.

Bilateral trade has surged from 9 billion Euros in 2019 to nearly 15 billion Euros in 2022. This growth is evident in the exchange of goods and services, with Italian machinery, automotive products, and luxury goods finding a growing market in India, while Indian products, like aluminium, steel, and iron, contribute to the supply chain for Italian manufacturing.

Looking ahead, three key drivers are expected to shape the bilateral commercial partnership:

1. Ongoing negotiations between the European Union and India regarding free trade, investment protection, and geographical indications agreements.
2. Further integration of supply chains with a focus on diversification in both industries and markets, considering the growth trends of India.
3. Collaboration between Italy and India in third-party markets, with a particular emphasis on Africa.

Infrastructure development, both physical and digital, is a priority for India, including in view of the deeper integration of its productive system in the global value chains that the country is pursuing. Italy can play a significant role in contributing to technological development and innovation in this context. In terms of digital connectivity, the Blue Raman submarine cable project, set to link Italy and India, is expected to be completed in the near future, offering enhanced digital connectivity.

Both with extensive coastlines, Italy and India play pivotal roles in maritime affairs. Their shared commitment to enhancing maritime connectivity forms a solid foundation for significant trade collaboration. Italy's world-class ports, including Genoa and Trieste, would complement India's main ports in Mumbai, Chennai, and Kolkata, becoming critical nodes for the exchange of goods and raw materials, further strengthening their economic ties.

The launch of the India-Middle East-Europe Economic Corridor (IMEC) during the G20 summit in New Delhi opens up further perspectives for the future, as Italian and Indian ports are poised to become key terminals of this corridor.

IMEC has the potential to become a cornerstone of Europe's Indo-Pacific strategy, carrying a wider strategic significance beyond its economic implications. Italy and India have the interest and the capability for actively engaging in the corridor, collaborating on projects and initiatives aimed at promoting economic development and ensuring environmental sustainability in maritime transport. This collaboration was also discussed during the Global Maritime Summit held in Mumbai, with a focus on enhancing the efficiency and environmental impact of shipping.

But both trade and connectivity (and all the more ambitious projects like IMEC) thrive in a safe and stable international environment. This is why security is an indispensable part of the equation. Italy and India have translated this understanding in a renewed cooperation in the defence sector, recently embodied in the Agreement on Co-operation in the Field of Defence, signed in October. The maritime dimension will be central in the relaunched cooperation, as the two peninsulas share similar concerns in terms of maritime surveillance, route security and countering underwater threats.

Today's fragmented international scenario requires a balanced approach to trade and connectivity, keeping in mind the lessons of our recent past. Italy is working to shape healthy trading relations from the enlarged Mediterranean towards the Indo-Pacific, benefitting all the actors involved and generating positive spill-overs on a larger scale. It is also actively engaged in cooperating with like-minded partners in order to contribute to global stability, peace and security. The strategic partnership with India, a leading actor of the region and one of the most promising economies at the global level, will remain a key driver in this direction.

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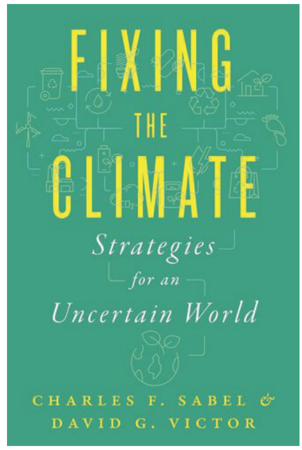
Fixing the Climate Strategies for an Uncertain World



Mario Pezzini[*]

Author: Charles F. Sabel[*] and David G. Victor; Princeton University Press, 2022; ISBN 9780691224541 (ebook)

There is no doubt the ecological transition and transformation has to accelerate. But how? Despite decades of negotiations by world leaders and global climate diplomacy, the climate crisis has worsened, emphasising the need for a different approach. A rethink is the goal of "Fixing the Climate: Strategies for an uncertain world" by Charles Sabel and David Victor, published by Princeton University Press. Instead of efforts overly focused on global diplomacy and the crafting of global consensus, the book suggests a system based on experimentation, learning and contextualisation. It is a compelling and insightful book that will be of great interest not only to academic readers but also to climate activists and policy makers.

These high-calibre voices add to the chorus emphasising the urgency of ecological change. Actually, David Victor's contribution is not new among those calling for decisive, immediate and practical action for transition. David's commitment to bridging the gap between climate science, policy and energy market regulation is known.[1] Particular noteworthy is the strong and respected voice of Charles Sabel: one of the most insightful, brilliant and thought-provoking social sciences theorists in our times. He has conducted innovative, diverse and ground-breaking research in different fields, countries and continents. His work ranges from economic development and industrial organisation to public services and the governance of complex institutions and networks.[2] Sabel's work has significantly influenced the way industry in the US and many European countries are responding to the decline of mass production and changing global competition. More in general, he has proposed a logic of experimentation to solving problems marked by deep uncertainty. It is only good news that he has also successfully addressed climate change issues in recent years.

The value of the book, however, goes far beyond the welcome call to action by renowned authors. It is about proposing

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a new paradigm that seeks solutions and successful collective action from new angles. It is a dense, rich and ground-level cases based book that deserves a detailed reading of the multiple points it contains. Here I would like to highlight three of them that are respectively about the transition agenda, the transition paradigm and the transition international cooperation.

First of all, about the ecological transition agenda. The book helps to shift the discussion undertaken in a long series of conferences and forums from an almost exclusive emphasis on how to finance the transformation to a simultaneous indispensable debate on what to do and how.

Of course, the financing matters remain fundamental in the agenda and require greater engagement. The reason for this is known. Climate change affects all countries and all of them have to invest more in the transformation. Moreover, climate change touches especially the poorest, who pay the highest price even though they have contributed little to the climate crisis. Developing countries are overwhelmed by challenges: they need at the same time to reduce carbon emissions and to adress both the negative consequences of the pandemic and the increase in infectious diseases and poverty. Many of them are therefore facing debt problems or have a high risk of falling into them and consequently reducing their transition efforts. Given these challenges, it is indispensable that the global community, particularly developed countries, play a more active role in providing financial support. This is not just a matter of moral responsibility, but also of practical necessity, as the impacts of climate change and associated economic challenges do not respect national borders and can have far-reaching consequences for the entire world.

In addition to the existing concerns, financial matters require more and better certainty and accountability. Often, countries indulge in "announcement or declaration effects" to shape public opinion, boost approval, calm fears, and orient market expectations and international relations. However, commitments are frequently insufficiently fulfilled, and spending figures are distorted,[3] The reporting on financial pledges and provisions is confusing and inaccurate, making it challenging to track actual contributions and expenditures. To address this, there is an urgent need for transparent mechanisms to ensure accurate reporting and enhance the tracking and traceability of funds. There is also a need for a reform of the international assistance governance, potentially around more globally representative tables. This is not merely a procedural necessity, as the consequences of inaction include diminished trust among countries and ineffective climate change mitigation and adaptation efforts.

However, if the focus on financial commitments during global discussions is important, it is not enough to capture the full spectrum of necessary changes. The transition to a sustainable future requires more than just financial commitments and accountability. It is at least as important to suggest and encourage new changes in our production and consumption patterns, both individually and collectively. Continuing our current practices in these areas will inevitably lead to the same detrimental outcomes. We should therefore commend the book for making a difference and looking in depth at some of the directions that define what to do and how. In particular, the book suggests focusing on 1) the technological frontier to foster innovation in specific sectors; 2) the way in which technological advances can be transformed into reliable adaptations in specific places, a process the book refers to as contextualisation. In both cases, Sabel and Davies argue that the solution is within our reach, not through top-down global treaties or far-reaching agreements between nations, but through a) small vanguard clubs of companies and researchers that are ultimately open to the rest of the (initially less capable) global economy, and b) through grassroots initiatives, local innovation and community-orientated approaches.

A second important point to emphasise, in relation to the book, concerns the authors' paradigm that design strategies for an uncertain world. The paradigm proposed is based on what Victor and Sabel call Experimentalist Governance. Why Experimentalist? The authors believe that in a transformation such as environmental change, the assumption of a stable environment cannot be maintained almost by definition. Indeed, the background conditions of change are very often unpredictable. Actors should therefore realise that experimentation is the order of the day. Why Governance? Actors should use formal laws, informal procedures and shared conventions to develop collective capacities to experiment and learn from surprises. They should opt for flexible organisations that can be reconfigured as circumstances change. They should recognise that conception and execution cannot be meaningfully separated and drive them forward at the same time. They should make self-monitoring and mutual corrections routine and use doubt and disagreement to drive progress. Decision-making should shift from promulgating rules to issuing guidelines, recognising the impossibility of certainty.

The Experimentalist Governance brings Sabel and Victor to propose original learning processes, based on well-documented cases and in-depth applied research. Given that a large part of the technologies needed for deep decarbonisation does not exist yet, and the frontier for testing and deploying new technologies remains far on the horizon, deep action should be further encouraged. States, club of firms, researchers, workers and citizens - each with a specific knowledge that complement the others - should be invited to develop experiments and initiatives that stretch from the ground to the national and international level. These experiments should, in turn help the central government to find out which approaches work in which contexts, which overarching goals should be revised and which rules need to be adapted to local circumstances. Finally, multilateral organisations should provide "umbrellas" for legitimising climate action.

Sabel and Victor's proposal is stimulating, fertile and has a huge potential. Adaptive, iterative, flexible and learning-by-doing processes appear appropriate for dealing with those cases were policy-makers must navigate uncertainty to create effective and resilient strategies. Policies should then be continuously adjusted based on real-world feedback and emerging data. Experimentalist Governance itself should be further experimented. For example, in healthcare policies dealing with pandemics and emerging diseases that create uncertainty in public health planning and provision; or in rapid technological advancements, such as in AI and biotechnology, with uncertainty in regulation, privacy, and ethical guidelines; or in tensions that create uncertainty in international trade policies. Last but not least, given the focus of the Development Cooperation Review, what comes to mind is the field of international relations, where geopolitical shifts and international conflicts are areas of uncertainty in foreign policy and interfere with the solidarity goal of the policy.

A third point to emphasise has to do, in fact, with international cooperation. Cooperation with other countries can help to accelerate experimentation by testing other methods and solutions. Sabel and Victor emphasise that it faces at least two interrelated challenges. The first is right-sizing the unit of analysis and intervention or 'sector' in which to experiment. Many examples seem to suggest that the narrower the focus, the greater the progress. However, under conditions of technological uncertainty, solutions are often derived from other, unrelated sectors, and openness beyond the usual boundaries is often essential. Therefore, innovation strategies need to be sector-based but not sector-bound. The second challenge has to do with the balance between commitment and openness. The challenge is that a coalition of governments and companies investing in experiments should be small enough and look like a 'club' to be committed and focussed, but at the same time, it must remain open to new like-minded participants from outside the club to ensure the legitimacy of the overall effort. Ensuring the autonomy of the experiments while making their results accessible to a wide audience is a complex task. It will certainly require additional experimentation and a wider analysis than the one we can afford here.

Similar political economy considerations are developed by the authors about contextualisation: how technologies can be applied in specific places. They stress that many of the gains from cooperation will actually come from something that goes far beyond exchanging and ranking best practices.[4] It should rather come from a joint in-depth review among internationally recognised peers. Those reviews should address the way in which place-based solutions have re-conceived the original technological applications.

It's essential to discuss this statement a little more, considering its substantial impact on international cooperation and its alignment with widespread calls for significant reforms in the traditional cooperation framework.[5] International cooperation needs to recognise that convening at normative "tables" (often huge but not often representative and inclusive) to negotiate and ratify international agreements or to set standards, rules, and financial schemes in a top-down manner is not the sole method of collaboration. Equally, if not more, important, are explanatory "tables", which have proven indispensable in incertitude times. In these settings, various stakeholders gather to gather facts and information, foster knowledge exchange, and facilitate mutual understanding and cooperation among different regions and countries. These interactions aim to elucidate, clarify, and interpret experiences, thereby laying a robust analytical foundation for any guidelines or policies that might be needed.

These explanatory "tables" could, moreover, foster a more inclusive approach to international cooperation, especially crucial in turbulent times when reigniting dialogue is essential. We need to mitigate the risks of growing misunderstandings and negative cycles by encouraging types of international cooperation that create confident, inclusive spaces. In these spaces, detailed discussions about individual transition paths and strategies can take place. A key focus should be to re-engage in dialogue with and among developing countries, recognising their unique situations instead of disseminating externally defined standards which they had no role in shaping. This approach suggests the need for new, more representative and inclusive platforms, as many current ones fail to adequately reflect diverse global perspectives and do not even have sites for African or even other developing countries at all. As to say, playing Hamlet without the Prince.

In conclusion, "Fixing the Climate: Strategies for an Uncertain World" by Charles Sabel and David Victor presents a groundbreaking paradigm shift in addressing climate change. The book moves away from traditional global diplomatic efforts, advocating instead for a pragmatic approach grounded in experimental governance and contextualisation. It emphasises the importance of localised, adaptive strategies, and the role of experimental clubs and grassroots initiatives in driving sector-based innovation. The authors propose a new vision for international cooperation, one that focuses on sector-specific experimentation and knowledge sharing and peer reviews in contextualisation. This approach is not only relevant for climate policy but also for other areas of uncertainty, including international relations. The book is a compelling call to action, urging a rethinking of our strategies to address the pressing challenges of ecological transformation and international cooperation.

Endnotes

1 David Victor was one of the leading authors of the Intergovernmental Panel on Climate Change, is a professor at the School of Global Policy and Strategy at UC San Diego and was recently elected to the prestigious American Academy of Arts and Sciences.

2 Sabel has a broad knowledge of law, social sciences, economics and political economy. His excellence as a leading thinker was recognised early in his career when he was named a MacArthur Prize Fellow. He studied at Harvard, became a prominent faculty member at the Massachusetts Institute of Technology (MIT) and later moved to Columbia Law School as Professor of Law and Social Sciences, a position he has held since 1995.

3 https://datacommons.one.org/climate-finance-files

4 "Ideas developed elsewhere can seldom be transferred unchanged from one place to another" pg. 163.

5 For example those that are known under the headings "Development in Transition" or "Global Public Investments".

The Dynamics of Global Maritime Trade

Sushil Kumar*

The maritime trade has increased significantly since 1970. It has been increased more than four times between 1970 to 2021. It increased by 3 per cent per year (average) during the same period. The share of developed economies has declined significantly while the share of the global south has increased significantly. Asia has accounted for around 60 per cent of maritime trade.

Introduction

Maritime transport serves as the fundamental pillar of global trade and the logistical networks supporting manufacturing supply chains. According to the United Nations Conference on Commerce and Development (UNCATD, 2019), it is emphasised that over 25 per cent of the total global trade volume is conducted through maritime transportation. Moreover, maritime transportation is responsible for managing 80 per cent of trade in terms of volume, accounting for around 70 per cent of its total value. It is the most cost-effective method of transporting commodities and raw materials worldwide (ITF Transport Outlook 2013). This trade plays a crucial role in connecting global economies and serves as a vital facilitator of trade, a catalyst for economic expansion, and a promoter of social progress.

The direct correlation between GDP growth and maritime trade growth is illustrated in Figure 1. Global GDP, for instance, decreased by 3.1 per cent in 2020 as a result of the COVID-19 pandemic; maritime trade also decreased by 3.8 per cent in the same year. Additionally, Figure 1 illustrates that maritime trade experienced a decline of 5 per cent and global GDP fell by 1.3 per cent as a result of the 2008 financial crisis. In a recent report, the United Nations Conference on Trade and Development (UNCTAD) has projected a moderation in the growth of maritime trade to 1.4 per cent. Furthermore, it is anticipated that between the years 2023 and 2027, the expansion of maritime trade will occur at an average annual rate of 2.1 percent. This projected growth rate is slower compared to the average rate of 3 percent observed during the past five decades. The Ukraine-Russia conflict, supply

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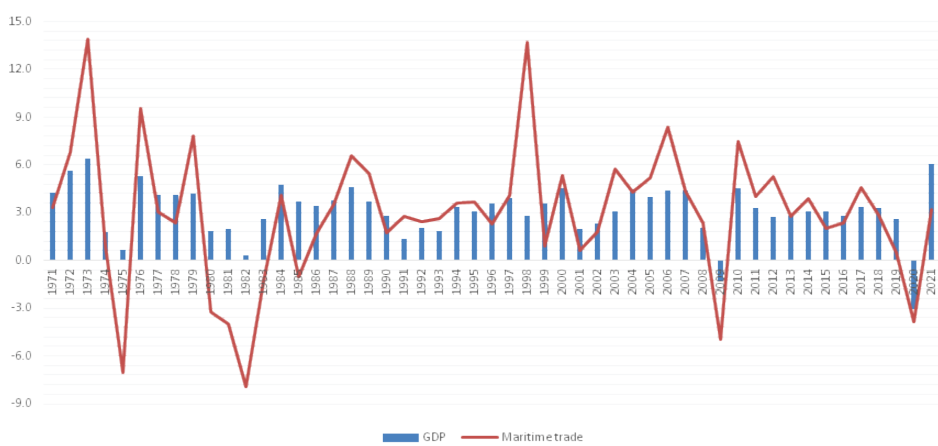
chain disruptions due to the COVID pandemic in 2020 and 2021, the current middle Asia crisis and slow global GDP further decreased the maritime trade as projected by UNCTAD also.

Table 1 provides long-term trends in maritime trade since 1970. Data reveal the shift from liquid (crude oil) to dry bulk as the driver of global maritime trade. Table also shows that International Maritime trade flows, which were around 2.6 billion tonnes in 1970, to increase by around 11 billion tonnes in 2021. It increased more than four times in the last 51 years. Maritime trade grew by 3.2 per cent to a total of 11 billion tonnes – only slightly below the pre-pandemic level. Another important fact revealed by the data is that the share of crude oil in total loaded (exports) and discharged (imports) has declined from 46 per cent in 1970 to around 15 per cent in 2021, and the share of dry cargo has increased significantly from 44 per cent to 71 per cent during the same period. This structural shift was further emphasised by the rapid development in manufacturing trade, which is included under 'Dry cargo." There is a strong possibility of a decline in maritime trade in 2023 due to the low global GDP growth and low global trade growth due to high inflation, the possibility of global recession, the Ukraine-Russia conflict, and the current middle Asia crisis. As UNCATD pointed out, the world economy is flying at "stall speed", with projections of a modest growth of 2.4 per cent in 2023, meeting the definition of a global recession.

Contribution of Developing Countries in Global Maritime Trade

Analysing the share of developing countries in total maritime trade is

Figure 1: Global maritime trade and Global GDP 1970-2021 (percentage annual change)



Source: Author's calculation data from UNCTAD and WDI.

Table 1: Global maritime trade, 1970–2021, by type of cargo (Millions of tons)

Years	Goods loaded				Goods discharged			
	Crude oil	Dry cargo	Other tanker trade	Total goods	Crude oil	Dry cargo	Other tanker trade	Total goods
1970	1207	1165	233	2605	1101	1131	298	2529
1980	1527	1833	344	3704	1530	1823	326	3679
1990	1287	2253	468	4008	1315	2365	466	4126
2000	1605	3821	558	5984	1633	4097	513	6242
2005	1857	4687	565	7109	1854	4696	573	7122
2006	1783	5004	915	7702	1940	5066	897	7903
2007	1814	5289	934	8036	1996	5165	902	8063
2008	1785	5486	957	8228	1943	5419	933	8295
2009	1710	5177	931	7818	1875	5044	923	7841
2010	1785	5649	968	8401	1939	5454	971	8364
2011	1751	5959	1028	8739	1897	5766	1039	8702
2012	1785	6357	1055	9197	1930	6129	1056	9115
2013	1738	6625	1091	9453	1882	6511	1091	9483
2014	1712	6983	1122	9816	1850	6782	1088	9720
2015	1761	7074	1178	10013	1910	6879	1175	9965
2016	1832	7176	1238	10247	1985	7083	1235	10303
2017	1875	7560	1279	10714	2033	7366	1288	10687
2018	1881	7818	1320	11019	2049	7629	1339	11017
2019	1860	7908	1303	11071	2023	7712	1320	11055
2020	1715	7727	1203	10645	1864	7546	1224	10634
2021	1700	8033	1252	10985	1846	7856	1273	10975

Source: UNCTAD (Access on 21/11/2023 https://unctadstat.unctad.org/datacentre/dataviewer/US.SeaborneTrade).

Note: Goods loaded for international shipment are assumed to be exports, while goods discharged from ships are assumed to be imports. The seaborne trade balance measures the difference between the volumes of loaded and discharged goods. Dry cargo refers to cargo that is usually not carried in tankers, such as dry bulks (e.g., coal, ores, grains), pallets, bags, crates, and containers. "Other" tanker trade refers to tanker trade, excluding crude oil. It includes refined petroleum products, gas and chemicals.[1] Annual world totals of goods loaded and discharged are not necessarily the same, given, among other factors, bilateral asymmetries in international merchandise trade statistics and the fact that volumes loaded in one calendar year may reach their port of destination in the next calendar year. Data on maritime traffic reflect data recorded at the loading and unloading ports. Traffic to or from neighbouring countries is attributed to the country where the ports are located: therefore, landlocked countries are not included in this table. Since March 2021, the category "transition economies" is no longer used by UNCTAD. Economies formerly classified as "transition economies" and located in Europe, are reassigned to the "developed regions" grouping, and the economies formerly classified as "transition economies" and found in Asia, are reassigned to the "developing regions" grouping.

essential. As we know, the share of developing countries in total global trade has increased significantly over the period. Today, the share of developing countries in global trade accounts for more than 50 per cent of global trade. Figure 2 shows that in 2006, the share of developing countries accounted for 58 per cent of goods loaded (exports) and 40 per cent of goods discharged, which further increased to 61 per cent in 2021, and goods loaded declined to 55 per cent in 2021. It shows that the world's leading maritime trade-handling centres were the developing countries. The developed countries contributed the remaining 45 per cent of exports and just 39 per cent of imports (see Figure 2).

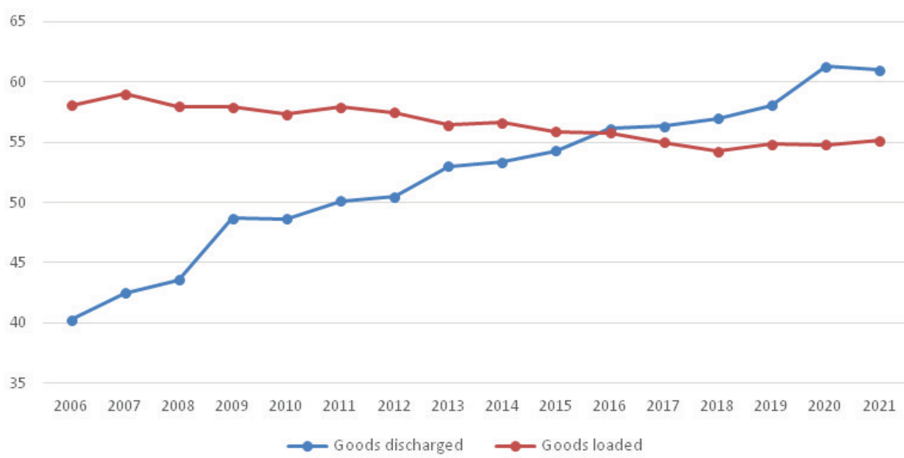
The Regional Dimension of Maritime Trade

From 2006 to 2021, Asia consistently maintained its position as the foremost hub for loading and discharging goods worldwide, as depicted in Figure 3. During this period, Asia accounted for 41 percent of global exports and 58 percent of global imports. Subsequently, Europe followed by the Americas, Africa, and Oceania.

Figure 4 shows that over the period 2006-2021, the share of developing countries has increased from 39 per cent in 2006 to 61 per cent in 2021, while the share of developed countries in total maritime trade has declined significantly from 61 per cent in 2006 to around 39 per cent in 2021.

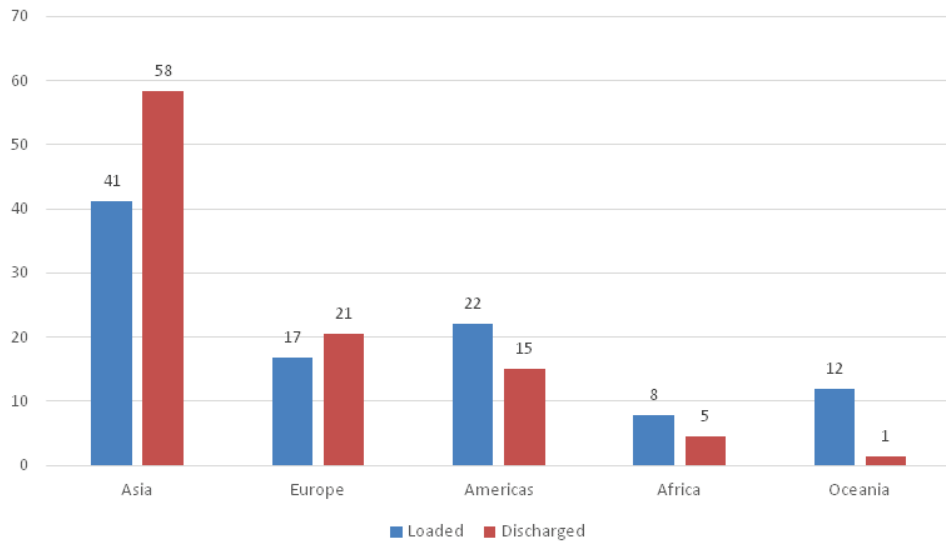
The analysis shows that the maritime trade has increased significantly since 1970. It has been increased more than four times between 1970 to 2021. It increased by 3 per cent per year (average) during the same period. The share

Figure 2: The share of developing countries in global maritime trade (2006-2021) (percentage share in total tonnage)



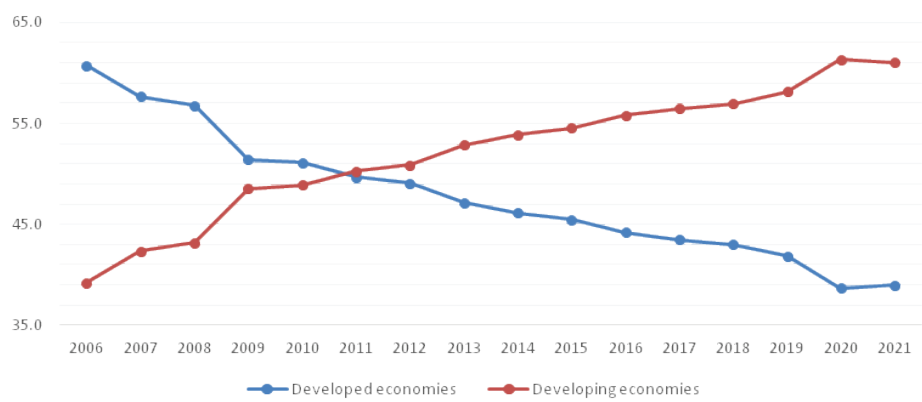
Source: Authors' calculation data from UNCTAD.

Figure 3: International maritime trade, by region, 2006 -2021 (average) (percentage share in world tonnage)



Source: Authors' calculation data from UNCTAD.

Figure 4: The share of Developed and Developing countries in global maritime trade (2006-2021)[2] (percentage share in total tonnage)



Source: Authors' calculation data from UNCTAD.

of developed economies has declined significantly while the share of the global south has increased significantly. Asia has accounted for around 60 per cent of maritime trade. Further, the Ukraine-Russia conflict and the Middle Asia crisis may negatively affect maritime trade.

Endnotes

1. https://hbs.unctad.org/world-seaborne-trade/
2. Data is available from 2006 onwards

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