ECONOMIC UPDATE

GLOBAL & INDIAN

December 2014

1 July 2015 is only 200 days away — we will have to think concretely about how to structure our work next year and how to get back to the substance of our mandate," warned Ambassador Dacio Castillo of Honduras who chairs a negotiation that has been inactive since early 2011 and has only met twice since then (in March 2012 and April 2014).

The talks on the geographical indications register are returning to activity following the breakthrough in the General Council on 27 November. This included agreement to resume work agreed at the 2013 Bali Ministerial Conference and to set a new deadline of July 2015 to produce a work programme (pdf) for completing the Doha Round negotiations as a whole.

Ambassador Castillo proposed starting with an informal information meeting — rather than a negotiating session — in February 2015. This would include a summary of what had happened up to 2011, as reminder to delegates on where the talks had reached. It could also include information on developments outside the WTO that might have a bearing on the talks.

Several speakers asked for more information on how the information session would be organized so they could consult their capitals. The chairperson said he would consult members on this and invited them to contact him.

The 12 December meeting was an informal negotiations meeting of the full membership, officially an "open-ended" informal "Special Session" of the WTO's intellectual property (TRIPS) council. Ambassador Castillo reminded delegates that these talks are only mandated to negotiate a multilateral register for geographical indications for wines and spirits and that any change to the mandate would have to be decided in the WTO bodies overseeing the negotiations. He urged them not to repeat known positions but to introduce any new ideas they may have.

Programme for helping poorest countries trade is to be extended

A multi-donor programme that helps the poorest countries be more active in global trade — the Enhanced Integrated Framework (EIF) – will have its mandate extended into a new phase, the EIF Steering Committee decided on 18 December 2014. Director-General Roberto Azevêdo, in addressing the Committee, said: "Trade can be an effective tool for economic growth and poverty reduction when the right conditions exist. The EIF was established precisely to help LDCs create those conditions."

The EIF Steering Committee, which includes representatives of all least-developed countries (LDCs) and the donor community as well as EIF partner agencies, decided to extend the mandate of the programme into a second phase, starting from 2016. The Steering Committee urged the EIF to build on the achievements of the first phase while addressing the need for reforms in key areas in order to improve the efficiency, effectiveness and sustainability of the programme.The EIF is currently helping 50 of the poorest countries worldwide. The WTO is one of six partner agencies of the programme and also hosts the Executive Secretariat.In his introductory remarks to the EIF Steering Committee, DG Azevêdo stressed that the programme is making a difference on the ground through increased private sector development and employment in some of the poorest countries. "There is no other programme that supports LDCs to address all aspects of their trade capacity in this way – and that puts the LDCs themselves in the driver's seat," said DG Azevêdo.

Oil Collapse, Russia Woes Reshape White House's International Economic Policy

For a meeting of the Group of Eight nations in 2012, President Barack Obama gathered officials around a small wooden table at Camp David for an intimate discussion of the world's top economic problems. Russia's prime minister, who was two seats away, was later described by the White House as an "active participant." Containing oil prices was a leading topic given worries about supply shortages, spurring an unusual joint statement from the G-8.Two years later, the price of oil has plunged 50% in just six months and Russia faces deepening economic turmoil as its split from other leading nations widens. They're proving to be two of the biggest developments for the global economy this year, reshaping the Obama administration's international economic policy. Risks from higher oil prices have hung over the global economy throughout the past four years. In 2011, in the aftermath of the Arab spring, Mr. Obama used a G-8 meeting to press for a rare global release of emergency oil stockpiles. In 2012, sanctions against Iran were among the drivers of oil-price worries that seeped into global economic summits. In 2013, Syria's deepening conflict – including potential U.S. engagement – kept oil prices on the agenda of the G-8, a group generally focused on security concerns. Oil's stunning turn in recent months is slamming nations from Iran and Syria to Venezuela and Russia. Not having to worry about oil prices offers more room to worry about other problems, economic and otherwise.

China's Revised GDP Shows Rebalancing Success With Bigger Service Sector

China's GDP revision, announced by the national bureau of statistics on its website today, shows the economy in 2013 was 1.92 trillion Yuan ($303.8 billion) larger than previously thought. That's 3.4 percent more and equivalent to adding the Malaysian economy to Chinese output, as Bloomberg News and others have noted. That puts last year's GDP at about $9.61 trillion. The 2014 figure will also be revised upward, although by not much, the statistics bureau says, probably early next year. And planned changes to how Beijing counts research and development costs and housing, will likely boost the size of the economy. The revision follows the release earlier this week of data from China's last economic census. Almost 3 million census takers polled more than 10 million companies and 60 million individual-owned private enterprises across the country for a three-month period last spring. The two previous censuses saw GDP revised up by 16.8 percent in 2004 and 4.4 percent in 2008. "The relatively small upwards adjustment [this time], compared with previous [census] revisions, won't make a huge difference to how the economy is viewed or to key metrics, such as China's debt to GDP ratio," writes Julian Evans-Pritchard, China economist at London's Capital Economics, in a research note today. "Nonetheless, it does provide some positive news on rebalancing."The census revealed a bigger service sector, which in 2013 made up 46.9 percent of GDP, up from 46.1 percent before. Meanwhile, China's often resource-wasting, pollution-generating industrial sector takes up a slightly smaller share of the economy, falling to 43.7 percent from 43.9 percent before the census.

The primary sector, agriculture, was also revised downward, from 10 percent to 9.4 percent. Meanwhile, GDP per capita was lifted to $6,995 from $6,767—still, that's only two-thirds of the world average, the statistics bureau noted. The survey found that at the end of last year, China had 10.86 million enterprises (not including those in agriculture), up more than half from 2008. Companies in the tertiary sector accounted for about three-quarters of the total, up 5.7 percent compared with five years ago. Meanwhile, those in manufacturing shrank to about one-quarter of the total."Experts believe a dynamic service sector signals that China's economy and society have entered a new phase, with a huge capacity to absorb labor, while expending relatively less energy," the Xinhua News Agency reported Tuesday. "China is transforming its economy to steer itself onto a sustainable path and adapt to the 'new normal' as high-speed growth comes to an end."

US — Countervailing measures on certain hot-rolled steel flat products from India

India welcomed the Appellate Body (AB) Report and said that this dispute was a significant milestone for India, as a number of countervailing duty measures imposed by the United States over the years have been found to be inconsistent with the Subsidies and Countervailing Measures (SCM) Agreement. India said that it had pursued this dispute to see a balanced and fair interpretation of the SCM Agreement and it believed that the AB had made a significant contribution to the interpretation of the subsidy disciplines. In its statement, India focused in particular on the AB findings on: the issue of what constitutes a "public body", cross-cumulation, the US benefit methodology, examination of new subsidies allegations in an administrative review, and a number of other systemic issues concerning the implementation of the SCM Agreement.

The US said that the dispute raised procedural and systemic issues. In particular, it considered that India's appeal of the entirety of the Panel's findings had led to an exacerbation of the AB workload and made it difficult for the AB to comply with the 90-day deadline. In this latter regard, the US expressed disappointment that the AB had failed to follow the practice of consulting with the parties before exceeding the mandatory time-limit. On substance, the US commented on the AB's findings on the US benchmark regulation, the issue of specificity requirements, the use of facts available, the interpretation of "public body" and cross-cumulation.

On the interpretation of what constitutes a "public body", India welcomed the AB's findings that recognized that merely being an entity owned by the government was no sufficient to render it a public body. On the other hand, the US welcomed the AB's rejection of India's interpretation of public body, which, in its view, could have shielded transfers of a government's financial resources from WTO subsidies disciplines. However, it would have wanted the

AB to clarify that authority over government's resources was the decisive factor in determining whether an entity was a public body. On cross-cumulation, India welcomed the AB's clarification that the cumulative assessment of the effects of imports under Art. 15.3 required that the imports were subject to CVD investigations. In India's view, this finding would have a significant trade impact for India, as it applied to many products on which the US had imposed CVD. The US considered that the AB's findings restricted the ability of Members to address the effects of cumulative imports; therefore, the US supported a reading of the SCM Agreement as permitting the use of cross-cumulation.

Gulf oil producers refuse to lower output

Oil-rich countries in the Gulf have maintained a firm stance against non-OPEC crude producers, vowing to maintain output and refusing to hold an emergency meeting to discuss falling prices. OPEC leaders Saudi Arabia and Kuwait said they would not cut production even if non-OPEC members reduce their output, while the United Arab Emirates and Iraq shrugged off calls for an emergency meeting of the group. The global oil market has become increasingly competitive in recent years, with the surge in shale and sand oil production from countries outside the decades-old alliance. As a result, oil prices around the world have fallen almost 50 percent since June, mainly due to oversupply, a weak global economy and strong US dollar. Saudi Arabia, Kuwait, the UAE, Qatar and Iraq produce around 20 million barrels a day, making up two-thirds of OPEC's output. The group decided to maintain its production levels at 30 million barrels per day last month, which led to the recent slump in oil prices. "We are not at a disaster, this has happened before, we are just at a short term of over supply. This over-supply will be fixed because the market is strong," says Suhail Al Mazrouei, UAE Energy Minister."We do not know what can happen in the future, but what we know for sure is that those who have the most and best production will control the market," says Ali Al Naimi, Saudi Minister for Petro and Mineral Resources.

Saudi Arabia, the world's largest oil producer at 10 million barrels a day (mbd), did not yield to the pressure of cash-strapped Iran, Venezuela and Nigeria to raise the energy price by letting the Organization of the Petroleum Exporting Countries (Opec) cut output quota of member-countries. A 45 per cent fall in crude oil prices since June is playing havoc with the finances of several Opec members. Nigeria was forced to devalue its currency. Highly dependent on income from oil and gas exports, non- Opec member Russia, already a victim of tightening US and European Union sanctions, is taking further knocks, as the oil price continues to slide. Going by a Bank of America (BoA) report, oil is still to find a bottom and prices could hit $50 a barrel next year. As the Opec decision not to make market intervention by way of production cuts will have "profound and long-lasting" implications for the world economy, it also signifies effective dissolution of oil cartel, says BoA. Many had earlier questioned the efficacy of Opec as a cartel, especially in the context of the US now boasting oil output of nine mbd, largely on the back of a shale revolution, now taking roots in many other countries. Progress in securing energy from non-conventional sources, such as wind mills and solar cells, also continues to reduce global dependence on oil.

Russia's debt has been placed under review for a potential downgrade by Standard & Poor's.

The ratings agency said Tuesday the move "stems from what we view as a rapid deterioration of Russia's monetary flexibility and the impact of the weakening economy on its financial system."The ratings agency currently rates Russia's debt at one notch above junk status and a downgrade would nudge Russia over.S&P said that there is a 50% likelihood that Russia will be downgraded in the next 90 days.Russia's economy has been pushed to the brink of recession by falling oil prices -- half of the government's revenue comes from oil and gas exports.The nation's currency has plunged to all-time lows, raising concerns that it is headed for a full-blown financial crisis. The Russian central bank has hiked interest rates five times this year in an attempt to prop up the ruble.

Russians have been rushing to withdraw rubles and convert them into dollars, worried about the devaluation and the soaring price of imported goods.The rates Russian banks lend to each other have more than doubled in the past month -- overnight lending rates now stand at 25% -- indicating just how serious the funding crisis has become. Russia's central bank said Monday it would provide an emergency loan of 30 billion rubles ($545 million) to keep a struggling bank afloat and protect customers' deposits while it engineers a longer term bailout involving a bigger Russian bank. The ruble gained ground Monday, after bouncing off a record low against the dollar last week as Russia drained billions more from reserves to buy its currency, and announced a series of measures aimed at shoring up the banking industry. They include a plan to pump one trillion rubles ($16 billion) into Russian banks next year, and new deposit insurance that guarantees savings up to 1.4 million rubles ($23,200).