

# ECONOMIC UPDATE

## GLOBAL & INDIAN July 2016

### **DG Azevêdo welcomes Liberia as 163rd WTO member**

Liberia joined the WTO today (14 July 2016) as its 163rd member, after nearly 10 years of negotiating its accession terms with WTO members. Liberia is the eighth least-developed country (LDC) to accede to the WTO through negotiations. The 30-day countdown to Liberia's WTO membership was activated when Liberia's Minister for Commerce and Industry, Axel Addy, handed to the WTO the instrument of acceptance of Liberia's Protocol of Accession on 14 June 2016.

"Liberia's accession underscores the WTO's commitment to supporting the participation of LDCs in the multilateral trading system", Director-General Roberto Azevêdo said. "It is an important moment. WTO membership will help Liberia to benefit from the international trade and investment that is essential to build the economy and improve people's lives

### **G Azevêdo welcomes Afghanistan as 164th WTO member**

Afghanistan joined the WTO on 29 July as its 164th member, after nearly 12 years of negotiating its accession terms. It has also formally accepted the WTO's new Trade Facilitation Agreement (TFA). Afghanistan is the ninth least-developed country (LDC) to accede to the WTO since the organization's establishment in 1995.

The 30-day countdown to Afghanistan's WTO membership was activated when Afghanistan deposited the instrument of acceptance for its WTO Protocol of Accession on 29 June 2016.

"I am proud to welcome Afghanistan to the WTO as our newest member," Director-General Roberto Azevêdo said. "This is an historic day for the country and its integration into the global economy. We arrived at this point thanks to the commitment of President Mohammad Ashraf Ghani and the government of Afghanistan."

"I congratulate them on this achievement, particularly given the very challenging circumstances," DG Azevêdo continued. "WTO membership will be a foundation stone in the country's future development. I also want to commend all WTO members for their support in this process, and their commitment to helping LDCs to participate in the multilateral trading system."

Afghanistan's accession package was approved by the Working Party members on 11 November 2015 and by Ministers at the Nairobi Ministerial Conference on 17 December 2015.

### **Even In Rich Countries, Jobs Have Returned Only At A 'Painful' Pace**

People wait in a branch of France's national employment agency Pole Emploi, where a board read "reception without appointment" April 27 in Montpellier, southern France. While the economy is healthier in France than other European countries, unemployment remains above 10 percent.

With the Great Recession now over for seven years, how is job growth coming along in the world's wealthiest countries? In fact, it has been "painfully slow," according to the Organization for Economic Cooperation and Development. Labor markets have been held down by a "low-growth trap characterized by low investment, anemic productivity gains and weak job creation with stagnant wages," it said Thursday.

The Paris-based forum, made up of 35 democracies with market economies, released its annual employment assessment. It found that three-quarters of OECD countries are still running high levels of unemployment. For example, in Greece, France, Italy, Portugal, the Slovak Republic and Spain, the jobless rate remains in double digits.

Results have been far better in the United States, where the unemployment rate is back down to 4.7 percent. That's the same rate recorded in November 2007, just before the recession began. The May report was extremely disappointing, showing employers added just 38,000 jobs for the month. Economists are predicting a rebound for June, with a Wall Street Journal poll showing most expect about 165,000 new jobs, a hiring pace more in line with results of the past several years.

And the report says that "even in countries where labor market slack has been absorbed, low quality jobs and a high level of labor market inequality are of concern." The OECD recommends that countries adopt "high-performance work practices" that boost productivity, "such as team work, job rotation, bonus pay and flexibility in working hours." It also said "many disadvantaged youth require a co-ordinated package of services to allow them to surmount a variety of

barriers to a successful integration into employment, including health problems, skills deficits and social isolation."The countries with unemployment rates below 5 percent, in addition to the United States, include: the Czech Republic, Germany, Iceland, Japan, South Korea, Mexico, Norway and Switzerland

### **WTO launches new annual statistical publication**

The WTO launched a new annual statistical publication — the “World Trade Statistical Review” — on 21 July. This new publication provides insights into how world trade has evolved in recent years by analysing the latest trade statistics within an economic context. The publication opens with an overview of world trade developments in 2015 and an assessment of the trade outlook in early 2016. This is followed by an in-depth analysis of the latest trends in the global trade of goods and commercial services.

The publication contains an in-depth look at the participation of developing economies in world trade, analysing in particular the role of least-developed countries. It also provides a summary of the main developments in trade-policy making, highlighting the latest data on WTO members' use of trade-restrictive and trade-facilitating measures. These analytical chapters are complemented by over 50 tables providing comprehensive data on various facets of world trade in goods and services.

“World Trade Statistical Review” replaces the WTO's previous annual statistical publication, “International Trade Statistics”, which used to be published in October of each year. This new publication will be made available annually in July, bringing it closer to its reporting period. A print version in English, French and Spanish will be published in early September.

More extensive trade data can be found in the WTO Statistical database and in the International Trade and Market Access tool on the WTO website, which is regularly updated with short-term trade data sourced in cooperation with the United Nations Conference on Trade and Development (UNCTAD). Trade data based on finalised figures for 2015 will be made available in the WTO Statistical database at the end of October, as in previous years. Other statistical output regularly provided by the WTO includes short-term data on merchandise trade and commercial services trade and the WTO's new World Trade Outlook Indicator, which is designed to give an early indication of the future direction of world trade.

### **European Union files dispute against China over duties on export of raw materials**

On 19 July 2016 the European Union notified the WTO Secretariat of a request for consultations with China over duties and other measures concerning the exportation of certain raw materials. In its request, the EU alleges that the

duties, quotas and other restrictions are inconsistent with China's Protocol of Accession and other WTO provisions. The EU request follows a similar one filed by the United States on 13 July.

### **WTO: Over 100 sessions to be held at 2016 Public Forum**

A total of 102 sessions will take place at the 2016 WTO Public Forum to be held from 27 to 29 September at the WTO's headquarters in Geneva. Entitled “Inclusive Trade”, the Forum will focus on how to ensure that trade benefits everyone, with a particular emphasis on enabling women, innovative start-ups and small and medium-sized enterprises (SMEs) to take advantage of the opportunities provided by trade. The sessions will be organized by a wide range of participants, including WTO members, businesses, non-governmental organizations, academia, law firms and international organizations.

### **The Forum will feature two high-level plenary debates on 27 September.**

In the first debate, entitled “Making Trade Truly Inclusive”, the participants will look at how the WTO can foster SMEs' participation in global trade, how trade has helped countries to innovate and how women can overcome the constraints preventing them from reaping the benefits of trade. The second plenary debate will see the launch of the WTO's flagship publication, the World Trade Report, which will look at SMEs' participation in international trade.

### **Britain's jobless rate has fallen to 11 years low**

Britain's jobless rate has fallen to its lowest level since October 2005. The unemployment rate was at 4.9 percent of the workforce in the three months to May – down from 5.0 percent in April, the Office for National Statistics said. The statistics are from before last month's vote to leave the European Union, which led to warnings of slower growth. Shortly after the jobs numbers were released on 20th July, the Bank of England said that so far there are no clear signs of a sharp economic slowdown in the UK.

The BoE's regional agents, who speak regularly with companies, said business uncertainty had risen markedly but most firms did not plan to cut hiring or investment. The pound rose against the US dollar as the BoE report struck a less downbeat tone than other surveys which have shown falls in business and consumer confidence. Earlier this month the BoE said it expected the UK economy to slow markedly as a result of the decision to leave the EU.

The International Monetary Fund cut its growth forecast for Britain next year to 1.3 percent from 2.2 percent. Many firms told the BoE they were reviewing their strategy in light of the unexpected outcome of the vote and about a third expected to cut hiring or investment over the next 12 months. The BoE report contrasted with a survey of British households, published by financial data company Markit,

which showed households at their gloomiest about the economic outlook in two-and-a-half years. Figures from accountants Deloitte showed four out of five chief financial officers of large British companies planned to reduce investment in the year ahead, and were at their most pessimistic since the 2008 financial crisis

### **China can't take global economy's burden, says Li**

China's Premier Li Keqiang said his country would never enter a currency war, and would keep the yuan at a reasonable level. Economy shows positive signs but pressure lingers: Keqiang China's economy will 'not see hard landing' World should step up economic policy coordination: Chinese Premier India remains bright spot in global economy, says.

That was the message from China's Premier Li Keqiang on the eve of a gathering of finance chiefs from the top emerging and developed economies. While China's contribution to the world will remain large, and serves as a stabiliser, the nation also faces long-term downward pressure, he said on Friday at a press conference in Beijing. "China is still a developing country - we can't shoulder the heaviest burden of the world's economy," Li said after a round-table discussion on economic growth, trade and finance with heads of institutions including the International Monetary Fund.

He called for countries around the world to implement "proactive" fiscal policies, as China is doing. For her part, International Monetary Fund Managing Director Christine Lagarde at the same venue said the world needs fiscal, monetary and structural measures, and repeated that the UK's vote to depart the European Union had reduced expansion estimates.

World Trade Organisation Director General Roberto Azevedo warned trade growth is at a 30-year low, while World Bank President Jim Yong Kim fretted about a very loud rejection of globalisation in the West. One thing that may be off the worry list: major yuan devaluation. Li said his country would never enter a currency war, and will keep the yuan at a reasonable level as it continues to reform the exchange-rate system.

Amid calls from abroad for capacity cuts in some sectors, Li said his government is willing to negotiate with others on trade in steel and coal. China still has room for proactive fiscal policies and tax cuts while sticking to prudent monetary policy, Li said.

He reviewed the country's challenges as it transitions from an old model fuelled by debt and investment to one led by consumers and services, and reiterated that it will keep pushing forward market reforms - an area where economists say policy makers have disappointed. Beijing is hosting the heads of six international organisations on Friday, part of a

broad effort to enhance China's profile in discussions about global economic and financial policies, which up to now hasn't matched its heft in terms of trade. This weekend, finance ministers and central bank governors from the Group of 20 meet in Chengdu ahead of a leaders summit in Hangzhou September 4-5.

China's traditional sources of growth, by massive investment in physical capital and exports "have largely run their course" and are producing low yields, low productivity growth, and overcapacity, OECD Secretary-General Angel Gurría said at the press conference. "China is seeking a higher quality type of growth," Gurría said. "Science, technology, innovation, the digital economy, knowledge-based capital, skills - all are indispensable parts of this new growth.

### **Peru, Saudi Arabia ratify Trade Facilitation Agreement**

Peru and the Kingdom of Saudi Arabia have ratified the WTO's Trade Facilitation Agreement (TFA). The submission of the instruments of acceptance means that more than 80 per cent of the ratifications needed to bring the TFA into force have now been received.

Concluded at the WTO's 2013 Bali Ministerial Conference, the TFA contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

Peru's WTO ambassador Luis Enrique Chávez Basagoitia presented his country's instrument of acceptance to WTO Director-General Roberto Azevedo on 27 July.

Saudi Arabia's Deputy Minister for Foreign Trade, Ahmed Al-Hakbani, and the Kingdom's WTO ambassador, Abdolazeez Al-Otaibi, presented their country's TFA instrument of acceptance to DG Azevedo on 28 July. The TFA will enter into force once two-thirds of the WTO membership has formally accepted the Agreement. With the acceptance by Peru and Saudi Arabia, the number of TFA ratifications now stands at 89.

### **How slow is US economic growth? 'Close to zero'**

While 2016's anemic growth level isn't an automatic disqualifier for an interest rate increase, the bar just got a little higher. Gross domestic product reading fell below even the dimming hopes on Wall Street. The 1.2 percent growth rate in the second quarter combined with a downward revision to the first three months of the year to produce an average growth rate of just 1 percent. In total, it was far below the Wall Street forecast of 2.6 percent second-quarter growth and didn't lend a lot of credence to a Fed statement earlier this week that sounded more confident on the

economy. (The Atlanta Fed was much closer, forecasting 1.8 percent.) In short, they are not numbers upon which a rate hawk would want to hang one's hat. "We're tired of talking about rate hikes when it's not going to happen for a while," Diane Swonk of DS Economics told CNBC. "I really think the Fed is sidelined until the end of the year. Or, perhaps, longer.

Market expectations for the next Fed hike had been sliding as the release of the GDP report got closer, and they plunged afterward. The fed funds futures market Friday morning was indicating just a 34.4 percent chance of a rate rise this year, with the next move pushed out until well into 2017. A day earlier, the futures market had moved to just over 50 percent for a 2016 move. The Fed last hiked in December 2015, which was the first move after eight years of keeping the overnight rate near zero.

To be sure, GDP growth is just one input for the central bank. Ostensibly, the Fed's mandate is to ensure full employment and price stability, and it has come close to achieving the former while continually falling short of the latter. The GDP miss came in good part because of a tumble in inventories, which subtracted 1.16 percentage points. At the same time, consumer spending showed a robust 4.2 percent gain, the best number in a year and a half. Separately, the employment cost index, a Labor Department measure that is said to be watched closely by Fed Chair Janet Yellen, rose at a 0.6 percent quarterly rate, in line with expectations and reflecting an annualized increase of 2.3 percent in employee compensation costs.