

# ECONOMIQUITY

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## Time to Rethink Trade Defence Mechanisms

In the face of the enduring economic crisis, virtually every country, other than the poor ones, is backtracking to protectionism. In the name of shielding the domestic economy from extreme job losses, governments of developed and developing countries alike are resorting to populist autarkic policies. With this rat race for protection, the global free trade regime will gradually be pulled back into the vortex of trade barriers from which it has been struggling hard to recover. It is time for the World Trade Organisation (WTO) to bear on such measures with a greater voice.

Given the perception that trade defence measures built into its rule-based system are increasingly being misused as an excuse for protectionist measures, it may be unfair to blame the multilateral trade body for not acting.

Practitioners of protectionism circumvent the legal reach of WTO by taking advantage of flexibilities allowed by the system for dealing with contingencies or by circumventing the rules. Little can be done to lock in flexibilities, elegantly known as measures of administered protection and commonly referred to as WTO-compliant trade measures. In fact, the furore for more and more flexibilities is gaining currency in the Doha Round negotiations.

Out of the agreements on safeguards, anti-dumping and countervailing duties — the central provisions for administered protection — anti-dumping is by far the most popular instrument, simply because invoking it is a lot easier.

The open choice available between anti-dumping and safeguards as contingency trade blocking measures is a deplorable situation, since these are meant for distinctly different contingencies. The former should only be applied as a punitive action against

below cost pricing whereas the latter should be used as a safety valve.

As far as evading rules is concerned, the WTO is apparently even more helpless today given that tradeaocrats are exceptionally innovative and very often comically imaginative when it comes to cooking up 'legitimate' reasons for meddling with free trade. In May 2009, the US Customs and Border Protection kicked off import restrictions on switchblade knives citing 'health and public safety concerns'. That admissibility of pocket knives with spring-assisted opening mechanics is suddenly found life-threatening in a country with the most liberal civilian gun-rights in the world is certainly touching.

In order to stop protectionism from escalating into trade wars, instruments for administered protection must be restricted to the purpose these are designed for use of. However, reforming these instruments to squeeze out casual users in the near future may not be practical, though this agenda should not be left out of the plans.

Nevertheless, the WTO should not waste an opportunity to put formal diplomatic pressure on its members to voluntarily restrain themselves from protectionist practices, so that the rhetoric of loose formations like G-8 and G-20 may get converted into action. This should not be hard and may only take as much as reminding global leaders about living up to past promises. While doing so, it may also be worthwhile to remind them of the immense time and effort taken to push trade liberalisation this far. At this critical juncture, we would not like to take two steps back after taking one forward.



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**Germany-Russia Business Ties**

Whenever Chancellor Angela Merkel of Germany has travelled to Russia during her four years in office, she has usually brought with her a dossier on human rights violations. Even though Germany is Russia's largest trading partner, Merkel has tended to spend more time discussing political issues and civil liberties than economic and trade ties.

So when Merkel met with the Russian President, Dimitri A Medvedev, she brought up human rights. This is a change for Merkel, a Russian speaker and the first East German and woman to become chancellor of Germany, Europe's largest economy.

With German companies clamouring for export orders, trade with Russia has become even more important. Bilateral trade plummeted by 35.8 percent to US\$19.95bn, during the first four months of 2009 from the period in 2007, according to the German Federal Statistics Office.

Merkel has in the past been cautious about Russian investors taking stakes in strategically important companies, like European Aeronautic Defense and Space (EADS), the parent company of Airbus.

<http://www.nytimes.com/2009/08/19/business/global/19shipyard.html>

**World Heading For Sugar Shortage**

Damaged crops from India to Brazil mean the world will not have enough sugar for a second successive year. The sugar price has surged 76 percent in 2009. Global demand will exceed output by as much as 5-million tonnes in 2009 to September 2010, leading to a record two-year shortfall, according to the International Sugar Organisation in London.

Parts of Brazil, the largest grower, have been drenched by rainfall four times more than normal, making the crop too wet to harvest. India, the biggest consumer, had its driest June 2009 in 83 years and might have to double imports.

Bajaj Hindustan, India's biggest producer predicts sugar may reach 25 cents by 2009-end, and Mizuho Corporate Bank estimates 30 cents. The number of 40c call options for March 2010 has quintupled to 18800 contracts in the past four months. A call contract gives the holder the right but not the obligation to purchase a commodity at a given price by a specific date.

Global use may rise 1.3 percent to 161 million tonnes in the 2009-2010 marketing year, surpassing production of 156.9 million tonnes and draining inventories. Sugar is still 70 percent below its all-time high and not many things in life are 70 percent below what they were in 1974. Sugar has a wonderful future.

<http://www.businessday.co.za/articles/Content.aspx?id=78136>

**UK: Rate of Job Cutting 'is Slowing'**

The pace of deterioration in the UK job market is slowing but the number of public sector employers expecting to cut staff has risen. Ten percent more employers planned to cut staff in the three months from June than recruit, the Chartered Institute of Personnel and Development (CIPD) found.

The report still concludes unemployment will hit 3.2 million in 2010. The figure for the private sector was particularly strong, with the balance of firms cutting over those recruiting shrinking from 30 to two percent. But the public sector has gone in the opposite direction, with the figure growing from three to 28 percent, with cuts in some areas of public spending anticipated.

John Philpott, chief economist at the CIPD, said local authorities were coming under financial pressure. He said that not all job cuts would be related to the recession, with local authority restructuring also likely to take its toll. The CIPD research was based on responses from 923 of its members. And it highlighted concerns there may be fewer opportunities for new school-leavers.

<http://news.bbc.co.uk/2/hi/business/8192431.stm>

**Europe Shows Signs of Stabilisation**

East Europe's economies, most of which endured record output declines last quarter, look poised to start recovering from recession in the second half as key export markets in western Europe return to growth.

Industrial production contracted at a slower pace in Hungary, the Czech Republic, Romania, Latvia, Lithuania and Slovakia in June 2009, helping the Slovak and Czech economies to grow.

"These are definitely green shoots", Raffaella Tenconi, a Prague-based economist at Wood & Co., said. "For 2010, there's definitely mounting evidence that GDP projections will be revised upwards".

Eastern Europe's export-reliant economies need a western European recovery to revive their manufacturing sectors and spur job growth. After Germany and France exited their recessions last quarter, prospects have

brightened for a resurgence of demand that might help the region's emerging economies expand.

"We see a good chance that the economic decline has already bottomed out in the region", said Laszlo Bencsik, Chief Financial Officer at OTP Bank Nyrt., the Hungarian lender with units in Bulgaria, Croatia, Montenegro, Romania, Russia, Serbia, Slovakia and Ukraine.

<http://www.bloomberg.com/apps/news?pid=20601110&sid=av2x10BeexKI>



### German Trade Surplus Jumps

Germany's trade surplus soared 28 percent in June 2009 compared with May 2009. Exports enjoyed a seven percent rise in June 2009 compared with May 2009 – the highest rise for nearly three years – while imports were up 6.8 percent, seasonally adjusted figures from the Federal Statistics Office showed.

The trade surplus from January 2009 to June 2009 was 44.8 percent weaker than the same period in 2008, demonstrating that Germany still has some way to go to climb out of its deepest recession in six decades. And on a year-on-year basis, the trade surplus in June was down 22.3 percent. The trade data is the latest in a series of positive surprises.

The Economy Ministry reported that industrial orders had jumped by 4.5 percent in June 2009 following a 4.4 percent rise in May 2009, adding that prospects for the key sector had improved. In addition, so-called "soft" data, such as business and consumer confidence surveys, are pointing to brighter times ahead in Germany.

<http://www.independent.ie/business/european/german-trade-surplus-jumps-28pc-as-exports-rise-1855164.html>

### Can World Economy Count on BRIC?

In the so-called BRIC nations – Brazil, Russia, India and China – they have soared by an average of about 64 percent so far in 2009, according to the investment blog Seeking Alpha. That's led many observers to think the four are poised to power the global economy out of recession and into renewed growth.

The global economy in 2009 will still suffer its steepest contraction in trade and industrial production since the Great Depression. Despite their dramatic growth, the BRIC nations are not powerful enough to power a global rebound and all four of them face their own economic problems.

"Three of the four BRIC countries are leading the rest of the world out", said Jay Bryson, a global economist for Wells Fargo Securities in Charlotte, NC.

## New Zealand Jobless Rate Rises

New Zealand's unemployment rate rose to the highest in almost nine years in the second quarter as the worst recession in three decades prompted companies to cut production and jobs.

The jobless rate increased to six percent from five percent in the previous three months, Statistics New Zealand said. The median estimate of 12 economists surveyed by Bloomberg News was for 5.7 percent.

Rising unemployment will curb consumer spending and adds to signs New Zealand faces a slow climb out of recession over the coming year. Reserve Bank Governor Alan Bollard said the economy's recovery will be "patchy" and he pledged to keep borrowing costs at a record low until late 2010.

"Job losses will be the major issue for the economy through 2009", said Bernard Doyle, an economist at Goldman Sachs JBWere Ltd. in Auckland. Employment dropped 0.4 percent or about 10,000 jobs in the second quarter. Economists expected employers would shed 10,900 workers. Employment shrank 0.9 percent in 2007. Unemployment rose 24,000 from the first quarter to a 10-year high of 138,000.

[http://www.bloomberg.com/apps/news?pid=20601081&sid=alzs\\_eHxmUCK](http://www.bloomberg.com/apps/news?pid=20601081&sid=alzs_eHxmUCK)



"But that does not mean they are pulling the world out. That's an important distinction. Combined, those countries account for only about 15 percent of the world economy".

The US and the European Union (EU) each account for 23 percent of global economic activity. "There's no way that 15 percent is going to pull 46 percent", Bryson said.

In 2009, global outlook remains grim for rich and poor nations alike. The WTO in July 2009 revised downward its forecast for global trade, now projecting a year-over-year contraction of 10 percent for 2009.

[http://www.tehrantimes.com/index\\_View.asp?code=200205](http://www.tehrantimes.com/index_View.asp?code=200205)

### Thailand Shows Signs of Recovery

Thailand's economy shrank by 4.9 percent year-on-year in the second quarter but is showing signs of recovery from the global slowdown.

It was the third consecutive quarter in which gross domestic product (GDP) dropped, although it was an improvement on the 7.1 fall in the first three months of 2009, the

National Economic and Social Development Board said.

"The Thai economy has passed the bottom point. There are signs of recovery in the second quarter in terms of jobless figures, government investment and private constructions", said the Board's Secretary General, Ampon Kittiampon.

"The economy in the second half of the year will improve, even though the GDP in the third quarter will shrink due to the limited global economic recovery, which will affect Thai exports", he said.

The board also revised its growth forecast for 2009 to between minus 3.0 and 3.5 percent, from its previous estimate of minus 2.5 to 3.5 percent. The agency predicted exports would fall 16.3 percent while imports would shrink by 24.2 percent, with the trade surplus at US\$14.0bn and inflation forecast at minus 0.5 percent to minus one percent.

[http://www.channelnewsasia.com/stories/afp\\_asiapacific\\_business/view/1000495/1/.html](http://www.channelnewsasia.com/stories/afp_asiapacific_business/view/1000495/1/.html)

## End in Sight for SA Recession?

Major world economies are pulling themselves out of recession, but the regional powerhouse South Africa is lagging behind the global recovery, though analysts say the end may be in sight.

South Africa's economy contracted by 3.0 percent in the second quarter, a less dramatic drop than the first quarter's 6.4 percent dive. "The end of the recession is in sight. The degree of decline we saw in the second quarter is better than the previous one", said Jac Laubscher, Sanlam group economist.

He said the economy would continue to stabilise during the rest of 2009, but that recovery would only begin in the second half of 2010. If South Africa is slow to recover, it was also slow to see the effects of the financial turmoil that roiled the world in 2008.

With sound banks and sober state spending, South Africa weathered the first months of the financial crisis, until reduced global demand finally took a toll on its mining and manufacturing exports – the two



biggest sectors of the economy. South Africa officially entered recession in May; it's first in 17 years.

<http://www.busrep.co.za/index.php?fArticleId=5134107&fSectionId=629&fSetId=662>

### Japan Pulling Out of Recession

Japan's economy returned to growth in the second quarter, ending its longest recession since World War Two, but analysts warned of a rocky road ahead as the nascent recovery was based on short-term stimulus efforts around the world.

Growth in the world's No.2 economy is likely to continue in coming quarters as companies restock inventories due to exports and government stimulus spending around the world, providing further evidence that the worst of the damage wrought by a global financial crisis may be over.

But economists and policymakers were wary about the outlook for next year because exports, the biggest contributor to growth in April-June, may slow as stimulus measures in other countries wear off.

A deteriorating jobs market is also likely to undermine Japanese consumer spending after government subsidies on energy-efficient cars and home appliances expire. This could delay a recovery in capital expenditure.

GDP grew 0.9 percent in April-June 2009, slightly short of a median market forecast of a 1.0 percent increase. That puts Japan in the first camp of G 7 countries that have pulled out of recession, along with Germany and France.

<http://www.indianexpress.com/news/japan-pulls-out-of-recession/502995/>

### Uruguay Forecasted to Contract in 2008

Uruguay is forecasted to contract 0.8 percent in 2009 and rebound 1.5 percent in 2010, according to chief economist for South America from the Spanish banking group BBVA, Joaquín Vial.

During a conference on Uruguay and the region's position in addressing the global recession, Vial said that the fall in imports by a higher percentage than with exports reveals "a contraction in consumption and investment" because of a souring of expectations in Uruguay.

"People became scared too fast and companies cut production faster than the fall in sales" which led to an "unnecessary contraction of GDP". This is expected to revert in the coming months as expectations return to a more optimistic outlook.

Although the leading economist for South America of the Spanish bank acknowledged the effectiveness of fiscal and monetary policies implemented by the Uruguayan government, he also cautioned that the country will face short, medium and long term challenges for which it must be prepared.

Vial first mentioned that the Central bank must reinforce its credibility by effectively reducing inflation to lower and more tolerable percentages. Uruguayan inflation remains in the range of seven percent with monetary restrictive policies while world wide deflation has become more of a challenge that an increase in consumer prices.

<http://en.mercopress.com/2009/08/21/uruguay-forecasted-to-fall-0.8-this-year-and-expand-1.5-in-2010>

### Mexican Economy Shrinks Again

The year-on-year decline in GDP being reported by deepest decrease in quarterly GDP in records dates back to 1981. With a downturn in the US choking off demand for its manufacturing goods, Mexico is on track for its most severe recession since the 1930s.

Besides trade with the US the Mexican economy is based on tourism, remittances from the 12 million Mexicans in the US and oil sales which have been falling steadily because of lack of investments. The economy is forecasted to shrink about seven percent in 2009.

"Exports have declined very sharply and we do not see yet a reaction to the slow improvement in economic activity in the US", said Claudio Loser, President of Centennial Group Latin America and a former senior International Monetary Fund (IMF) official.

Compared with the first quarter, Mexican GDP fell 1.12 percent, compounding a recession that has wiped out hundreds of thousands of manufacturing jobs. Some 80 percent of Mexican exports, including cars and televisions, go to the US.

<http://en.mercopress.com/2009/08/21/mexican-economy-shrinks-a-record-10.3-in-second-quarter>

**East Africa: Next Outsourcing Hub?**

The arrival of broadband in Tanzania presents dazzling business possibilities. Ramadhan Mubarak shook his head as he gestured to his six forlorn PCs. "I believe that many people want to use the internet", he said. "But most Tanzanians are poor, so they cannot manage the cost".

Mubarak owns two of the handful of internet cafes in downtown Dar es Salaam, and he can barely cover his overhead of US\$1,500 a month. Like many people here, he's hoping that will soon change: East Africa's new fibre-optic cable has been laid across the Indian Ocean and made landfall here on July 23, 2009. When it goes into use in late August 2009, it is likely to dramatically reduce costs and improve connectivity speed.

The cable, which is a two-year, US\$650mn project of the private venture Seacom, connects Eastern and Southern Africa to India and Europe and will end the dependence of Tanzania's internet on satellites. Even accounting for exaggeration – some boosters have promised it will improve education and healthcare and curb corruption – pretty much everyone who uses the internet here agrees that fiber-optic connectivity is nothing short of a revolution.

<http://www.globalpost.com/dispatch/africa/090807/tanzania-gets-broadband>

**UAE: Cut in Remittances**

Roughly US\$8-\$10bn is remitted by expatriate workers and professionals from the UAE to the rest of the world, according to World Bank reports. Although the size of remittances has been growing over the last few years, due to strong economic growth, in 2009 the amount could either decline or remain the same, officials say.

South Asia and the Middle Eastern countries – especially Lebanon, Egypt, Syria, Jordan and Palestine – are the biggest recipients of the remittances, besides the Philippines, from the UAE. The UAE's geographical proximity to the countries of South Asia as well as

its liberal economic policies that provide a great opportunity for businessmen and professionals make it an attractive destination for expatriates.

"In the UAE a lot of expatriates send money back home with relatives or friends. There is widespread use of the hawala system [wherein] the money is transferred through a system of individuals located in the sending and receiving countries. So the actual amount remitted from the UAE is more likely higher", said George Naufal, Assistant Professor at the American University of Sharjah, who specialises in remittances.

<http://archive.gulfnews.com/business/Economy/10340634.html>

**Europe to Invest in Solar Energy**

A groundbreaking project to build massive solar farms in North Africa and the Middle East to supply Europe with clean power has begun. The initiative, worth a reported US\$560bn, is expected to supply Europe with 15 percent of its power needs by the middle of the century.

The Desertec Industrial Initiative (DII) is a joint project which includes

engineering firms, financial institutions, and power companies. Siemens, Deutsche Bank, ABB, and RWE are among the partners. DII is also expected to turn sea water into fresh water for farming and drinking, benefiting the dry nations hosting the solar farms.

While German business paper Handelsblatt warned of "eco-colonialism" and exploitation of these relatively poor nations, DII promised otherwise. The host countries include Morocco, Egypt, and others from the Arab League.

Torsten Jeworreck, a member of the Munich Re board, said the consortium promised to work "as equals in a sincere and fair" way with the host nations. The signing of the agreement was held by German reinsurance firm, Munich Re. Other doubts linger as even the most basic planning and forecasts have not yet been made.

[http://www.economywatch.com/economy-business-and-finance-news/Europe\\_to\\_Invest\\_560\\_Billion\\_in\\_Middle\\_East\\_Solar\\_Energy\\_24-07.html](http://www.economywatch.com/economy-business-and-finance-news/Europe_to_Invest_560_Billion_in_Middle_East_Solar_Energy_24-07.html)

**FDI in China Continues to Slide**

Foreign direct investment (FDI) in China fell in July 2009 as companies stalled expansion plans amid the global financial crisis. Investment declined 35.7 percent in 2007 to US\$5.36bn, the Commerce Ministry said. That compared with a 6.76 percent drop in June 2009.

The situation for FDI in China remains "severe" even as "positive signs" have emerged in the past two months, Vice Commerce Minister Fu Ziyang said. Japan emerged from its worst postwar recession in the second quarter, the Cabinet Office said, and a Bloomberg survey of users shows confidence in the world economy surged to a 22-month high in August 2009. "This is a reflection of global overcapacity and the earlier credit squeeze", said Ben Simpfordorfer, an economist with Royal Bank of Scotland in Hong Kong.

The detention of four Rio Tinto Group staff since July 05, 2009 may weigh on business investments in the country, US State Department spokesman Philip J Crowley said. The four were formally arrested on charges of trade secrets infringement and bribery.

China's economy will expand 9.4 percent in 2009, topping the government's official 8 percent target as a US\$585bn stimulus and record bank lending spurs growth.

<http://www.bloomberg.com/apps/news?pid=20601087&sid=akSrdZo5NyeY>



## Youth Unemployment in Latin America

This paper uses panel data to examine whether Latin American youth follow Organisation for Economic Cooperation and Development (OECD) patterns or are, indeed, unique. By decomposing transition matrices into propensity to move and rate of separation matrices and estimating duration matrices, the authors find that Latin American youth do follow the OECD trends: their high unemployment reflects high churning while their duration of unemployment is similar to that of non-youth.



The paper also finds that young adults (age 19-24) have higher churning rates than youth; most churning occurs between informal wage employment, unemployment, and out-of-the labour force, even for non-poor youth; and unemployment probabilities are similar for men and women when the analysis control for greater churning by young men.

The findings suggest that the "first employment" programmes that have become popular in the region are not addressing the key constraints to labour market entry for young people and that more attention should be given to job matching, information, and signaling to improve the efficiency of the churning period.

[http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2009/08/24/000158349\\_20090824083220/Rendered/PDF/WPS5022.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2009/08/24/000158349_20090824083220/Rendered/PDF/WPS5022.pdf)

### What's Wrong with the Aid Industry in Nepal?

In less than three months, more than 300 people lost their lives due to diarrhea and cholera outbreak in remote districts. The government, constrained by a lack of resources and effective contingency plan, scrambled to tame down diarrhea and cholera outbreak in Jajarkot and surrounding districts. The spread of these diseases is not yet contained and still there is no encouraging response from one sector that should have aggressively intervened during difficult times like this.

During the periods 1970-79, 1980-89, 1990-99 and 2000-06, development aid, on average, amounted to US\$172mn, US\$494mn, US\$483mn and US\$475mn respectively. In 2007 alone, it amounted to US\$598mn, up from US\$65mn in 1969.

Aid per capita has increased from US\$16 in 2000 to US\$21 in 2007. With so much money flowing in and so little success attributable to the aid industry, the fact of the matter is that the aid industry has failed to deliver on its promises, especially on poverty reduction and economic growth.

<http://community.eldis.org/csapkota/.59c85a2b>

### Assessment of Migration Costs in Bangladesh

The paper assesses the costs and household level benefits of migrating overseas from Bangladesh. The authors survey households who have had overseas migrants to assess their characteristics compared to non-migrants. They also compute various types of migration and remittance related transaction costs and discuss the channels by which overseas migration is financed, remittances sent and the constraints faced by the poorest.

Using the Propensity Score Matching method, the paper finds that overseas migration conveys substantial benefits to families as measured by household consumption, use of modern agricultural inputs, and level of household savings. The authors also offer some possible policy directions to strengthen the returns from migration as well as reduce some of the costs.

[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/12/000158349\\_20090812085643/Rendered/PDF/WPS5018.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/12/000158349_20090812085643/Rendered/PDF/WPS5018.pdf)

### Global Migration Perspectives

As a result of climate change, changes in the global economy, and the perennial threat of conflict, the coming decades will see significant shifts in the magnitude and, potentially, the nature of human mobility. Most of these movements will take place within the developing world. A significant part of this will take place in Africa.

Changing patterns of migration in Africa raises important question about who manages migration and what the movements mean for state and human security. These concerns can be addressed by making two main points. First, we need to distinguish who is legally responsible for migration management and who, in practice, manages migration.

Second, we need to reconsider what managing migration means in the kind of places and political environments we are talking about: sites where state institutions are weak, where the law and policy are often as meaningful as rain clouds passing overhead, and where movement of people within countries and across borders is ever more central to the lives of migrants, their families, and the communities in which they live.

<http://www.sidint.net/who-manages-migration-responsability-and-practive-beyond-the-nation-state/>

### China's Key to Sustainable Growth

This paper assesses the sustainability of China's export-oriented growth over the medium to longer term. It shows that maintaining the current export-oriented growth would require significant gains in market share through lower prices in a range of industries. This, in turn, could be achieved through a combination of increases in productivity, lower profits, and higher implicit or explicit subsidies to industry.

However, the evidence suggests that it will prove difficult to accommodate such price reductions within existing profit margins or through productivity gains. Moving up the value-added chain, shifting the composition of exports, diversifying the export base, and increasing domestic value added of exports could give room to further export expansion.

Experiences from Asian economies that had similar export-oriented growth suggest there are limits to the global market share a country can occupy. Rebalancing growth toward private consumption would provide a large impetus to output growth and reduce the need for gaining further market share.

<http://www.imf.org/external/pubs/ft/wp/2009/wp09172.pdf>

### China's Accession to the WTO

China was one of the original contracting parties to General Agreement on Tariffs and Trade (GATT) 1947. It ceased to be a member in the aftermath of her 1949 Revolution and establishment of an alternative seat of government by the 'Nationalist Party' in Taiwan.

Following more than 15 years of sustained negotiation, China once again became a member of the WTO – its 143rd member – in December 2001. In the period between the original GATT agreement of 1947 and the Uruguay Round WTO agreement of 1994, GATT itself had been transformed from being an effete, uncoordinated body to the dominant force in international trade it now is.

## Asian FTAs: Trends and Challenges

Although a latecomer, economically important Asia has emerged at the forefront of global free trade agreement (FTA) activity. This has sparked concerns about the negative effects of Asian FTAs, including the "noodle bowl" problem.

Amid slow progress in the World Trade Organisation's (WTO) Doha negotiations and the global financial crisis, however, Asian regionalism seems to be here to stay and the focus for policymakers should be how best to minimise



the costs of FTAs while maximising their benefits. This paper examines key trends and challenges in Asian FTAs. It provides new evidence from firm surveys, analysis of specific agreements, and computable general equilibrium estimates.

Political economy considerations suggest that a likely scenario is for FTA consolidation in Asia to be followed by connections with North America and Europe. In conclusion, a bottom-up approach to a Doha Round Agreement emerges from the analysis.

<http://www.adbi.org/files/2009.08.04.wp144.asian.fta.trends.challenges.pdf>

This article investigates the reasons that prompted China to press on with her attempt to rejoin the international trading body in the face of the reputedly onerous accession commitments she was required to fulfil, and of the skirmishes she continues to have with some of the major players in the WTO, namely the EU and the US on her progress in fulfilling these commitments.

[http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1445806](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1445806)

### Trade and Global Downturns

The author examines the impact of historical global downturns on trade flows. The results provide insight into why trade has dropped so dramatically in the current crisis, what is likely to happen in the coming years, how global imbalances are affected, and which regions and industries suffer most heavily.

The author finds that the elasticity of global trade volumes to real world GDP has increased gradually from around two in the 1960s to above three now. The author also finds that trade is more responsive to GDP during global downturns than in tranquil times. The results suggest that the overall drop in real trade this year is likely to exceed 15 percent.

On the positive side, trade tends to rebound very rapidly when the outlook brightens. The author also finds evidence that global downturns often lead to persistent improvements in the ratio of the trade balance to GDP in borrower countries.

[http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/06/000158349\\_20090806152233/Rendered/PDF/WPS5015.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2009/08/06/000158349_20090806152233/Rendered/PDF/WPS5015.pdf)

Recent Event

**Indo-Bangla Trade: Focus on the North-East**

A 'Stakeholder Consultation on Indo-Bangla Trade: Focus on the North-East' was organised in Agartala, on August 09, 2009. The workshop was attended by high level delegates from Bangladeshi and Indian civil society and business as well as representatives of the Tripura government. The focus was on trade and transit issues concerning Bangladesh and India, especially the North East. The emphasis was on recent developments involving the Government of Bangladesh and Tripura.



Siddhartha Mitra, Research Director, CUTS pointed out that trade growth between Northeast and Bangladesh could be further enhanced by boosting its fledging manufacturing sector through promotion of access to Bangladeshi markets and investment as well as connectivity through Bangladesh to markets in the rest of the world.

Forthcoming Event

**Training Programme on Technology Diplomacy**

A Training programme on 'Technology Diplomacy for Scientists and Technologists' with the support of Department of Science & Technology, Government of India will be organised in Jaipur, during November 02-06, 2009. The programme endeavours to imbue government officials/scientists/technologists at various departments/organisations with necessary skills. Such skill formation would facilitate effective participation in trade and technology negotiations for international agreements and their implementation.

Publications

**Indian Ecomark Scheme – The Need for an Alternative Framework**

This briefing paper attempts to make a comparative study of the existing provisions of the scheme and suggest suitable modifications or changes needed with necessary justifications. This paper assumes vital significance because the National Environment Policy Statement of India adopted in 2006 has recognised the role of eco-labels in promoting environmental conservation.

<http://www.cuts-citee.org/pdf/BP09-DI-05.pdf>

**Trade and Climate Change: UNEP and WTO Report – Focus on LDCs**

This briefing paper gives a summary of the WTO and United Nations Environment Programme (UNEP) report on trade and climate change with emphasis on its repercussions on Least Developed Countries (LDCs). A chart summarising effects of the climate crisis on the East African Community (EAC) has been added by the author on the basis of information available in other sources in the literature.

<http://www.cuts-citee.org/pdf/BP09-DI-06.pdf>

**Eco-labels: Trade Barriers or Trade Facilitators?**

This discussion paper evaluates the potential of eco-labels to be trade facilitators and conversely trade barriers. It takes the approach of 'first principles' by defining eco-labels and elaborating on objectives and classification of these labels. The paper analyses the relevance of eco-labels for the WTO and vice-versa, and concretises this discussion through elucidation of some of the major disputes triggered by eco-labels.

<http://www.cuts-citee.org/pdf/DP-Eco-labels.pdf>

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