Trade and Development Monitor

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OPINION IN LEAD

Three decades of Trade and Development Reports

Very few organizations can boast of foreseeing the changes the global economy was and is undergoing. Importantly, very few of them have resisted flowing with the popular tide, advocated radical yet development-focused and pragmatic policy courses, and consistently raised such issues at the international level. The United Nations Conference on Trade and Development (UNCTAD) has been able to follow that route by raising critical issues related to trade and development in its annual flagship publication "Trade and Development Report" (TDR). This year marks thirty years since it started publishing TDR. A recap of the important issues raised during the three decades of policy research and advocacy was released in late April, during UNCTAD XIII in Doha, in a report titled "Trade and Development Report, 1981-2011: Three Decades of Thinking Development".

The series of TDRs published annually and the development-focused issues raised in them are testament to the quality of research and alternative policies advocated by UNCTAD. It foresaw the mounting influence of globalization on the economies of developing countries, warned of the dangers of unregulated financial flows and volatile exchange rates, and consistently argued—against the free-market orthodoxy of the 1980s and 1990s—that governments have important roles to play in helping national economies achieve steady, long-term progress.

During the later years of the import substitution era, the TDR abandoned the dichotomy between short-term macroeconomic issues and long-term development issues that was shaping the economic debate at the time. It emphasized the importance of the external environment for development, anticipating the wave of globalization that was about to bring sweeping changes to the way the world economy produced and consumed goods and services. The successive issues of TDRs analysed policies related to employment, trade, debt, and monetary, finance and payment balances during the debt crisis of the 1980s and argued against the problems created by conditionalities attached to structural-adjustment programmes of the international financial institutions. Importantly, they warned of the dangers for developing countries of opening to unregulated capital flows and increased exchange-rate instability. Recently, against the backdrop of global economic and financial crisis, TDR called for attention to the weaknesses of international monetary and financial governance and to the inconsistencies among global trade, financial, and monetary policies. Recently, UNCTAD released a statement strongly defending the role of the "developmental state". It batted for the balanced role of the state and market considerations, where the state designs policies and institutions with a view to achieving sustainable and inclusive economic growth as well as creates an appropriate enabling stable, transparent, and rules-based economic environment for the effective functioning of markets.

Precisely because of its objective analysis, research and advocacy of policies that raise the concerns of developing countries, UNCTAD has been under pressure from developed nations for criticizing the finance-driven globalization (FDG) model and calling for an overhaul of the system to move to development-led globalization (DLG). The report, titled "Development-led Globalization: Towards Sustainable and Inclusive Development Paths," suggests that FDG has led to uneven, unstable and unfair outcomes. It outlines an agenda for DLG based on three pillars: enabling developing countries to mobilize domestic resources, strengthen productive capacities and share the gains in an equitable manner; creating more robust multilateral structures for collective responses to upcoming challenges, such as taming finance and promoting investment-led responses to climate change; and strengthening regional ties, including through South–South cooperation, to enhance stability and open new growth opportunities.

If trade and development are to be interlinked, then there is no point chiding UNCTAD for its research and advocacy on development-led globalization. Developed countries should not pressure UNCTAD to follow the line of argument that suits their interests. Along with

UNCTAD's other activities, the TDRs have been an important source of objective analysis and policy advocacy document of developing countries, which see their voices raised clearly and forcefully in the TDRs than in any other publication. Let us not forget that it was in the TDR that the argument for "policy space"—a balance between multilateral rules and actions and national policy autonomy—was first raised. All member countries should celebrate the groundbreaking research and advocacy done by UNCTAD and internalize lessons learned in the past three decades.

ANALYSIS

South wins battle for new UNCTAD mandate

A fresh mandate has been given to the United Nations Conference on Trade and Development to continue the scope of its present activities as well as to take on some new issues in the next four years.

This was the main result of the UNCTAD's ministerial conference (known as UNCTAD XIII) that ended in Doha (Qatar) on 26 April. It came after a huge battle between developing and developed countries that went on for several months, first at Geneva (where the UN organization is located) and then at Doha.

At times it seemed as if the developed countries would succeed in blocking the UN's premier development think tank from continuing its work in some key areas, especially on the global economic crisis, financial issues, macroeconomic policy and debt.

But this onslaught was eventually successfully resisted by developing countries which stayed united under the Group of 77 and China as well as the groupings of Africa, Asia and Latin America and Caribbean and the least-developed countries.

The adoption by consensus of the Doha Accord was hailed as a success by all parties at the end of conference. It was a triumph of multilateral cooperation at a time when there have been many failures, said one developed-country grouping at the close of the meeting.

This is indeed true. The World Trade Organization's trade round, initiated in 2001 also in Doha, has been unable to conclude due to an unbridgeable North-South divide. The UN Framework Convention on Climate Change negotiations face severe strains with each recent annual conference becoming a nail-biting event as to whether there would be a bust-up or a temporary patch-up agreement in the last hours. The preparations for this year's other big event, the UN Sustainable Development Conference to be held in June in Rio de Janeiro, are also facing serious challenges, with many areas of disagreement and only a few more days left to negotiate.

It is becoming evident that we are now in a new era of great difficulties in international relations, where principles and issues that for a long time were accepted as being part of (or even the bedrock of) North-South cooperation have now become issues of serious contention.

At the heart of this sea-change is the concern of many developed countries that they are losing ground to several developing countries in economic performance and global influence, and that to check this trend the old contours of international cooperation have to be re-drawn. Thus, the North seems to be re-thinking whether to continue (and if so then how to continue differently) the practice of developing countries being provided development assistance and trade preferences, or with the recognition that developing countries be allowed to take on lesser obligations in agreements on trade or environment in recognition of their lower economic levels.

The UNCTAD conference, held once in four years in order to decide on UNCTAD's specific work until the next conference, almost became a victim of this larger global geo-political change. However, on 13 April, the G77 and China made a strong statement in Geneva that it could no longer make any concessions and that at a minimum the Doha conference should reaffirm that UNCTAD continue the work agreed to at the Accra conference in 2008, and take on any additional work that the Doha conference may agree on. Since the developed countries were not willing to give UNCTAD any new work, the battle in Doha was really about whether or not to reaffirm the Accra Accord of 2008, which would allow UNCTAD to continue its present work.

After often heated negotiations, which lasted till 5.00 am on the last night, the G77 and China and its regional groupings finally succeeded in convincing the developed countries to reaffirm the Accra Accord, to not place new conditions on UNCTAD's future work, and to continue to work on the financial crisis.

The JUSSCANZ group (Japan, the United States, Switzerland, Canada, Australia, Norway and New Zealand) had opened another front to narrow UNCTAD's work by proposing that UNCTAD stick to its "core" mandate and not to "duplicate" the work of other international organizations. By this it meant that UNCTAD should only work on trade issues, and leave finance and technology to the International Monetary Fund, World Bank and others. The G77 and China succeeded both in having the Accra Accord reaffirmed as well as in maintaining UNCTAD's broad mandate.

In the Doha Accord adopted on 26 April, para 16 reaffirms the Accra Accord which it says remains valid and relevant, while para 17 states that UNCTAD remains the focal point for the UN for an integrated treatment of trade and development and interrelated issues of finance, technology, investment and sustainable development, while enhancing synergies and complementarities with other UN and other international organizations.

(Adapted from an article by Martin Khor first published in The Star (Malaysia), 30 April 2012, and circulated by TWN Update on Sustainable Development Conference 2012 (Apr12/12)).

NEWS

UNCTAD XIII adopts two outcome documents

In the face of the continuing "fragility" of the global economy following recent economic crises, member states on 26 April called for financial flows oriented towards supporting inclusive and sustainable development as the 13th Ministerial Meeting of the United Nations Conference on Trade and Development (UNCTAD XIII) closed in Doha, Qatar.

"Finance should support the real economy [towards] sustainable, sustained, inclusive and equitable economic growth and sustainable development", according to the "Doha Mandate", adopted at the conclusion of the Meeting, which began on 21 April and represented the first major United Nations ministerial gathering focused on trade and development since the 2008–2009 economic and financial crisis.

The Mandate sets out agreed conclusions on policy analysis and the role of UNCTAD on the overall theme of UNCTAD XIII—"Development-centred globalization: Towards inclusive and sustainable growth and development"—covering key priorities considered during the weeklong meeting. They included enhancing and enabling the economic environment to support inclusive development; strengthening all forms of cooperation and partnership for trade and development; addressing persistent and emerging development challenges and their implications for trade and development; and promoting trade, investment, entrepreneurship and related investment policies to foster economic growth and sustainable development.

Accompanying the Mandate was a political declaration to be known as the "Doha Manar", referring to the Arabic term for beacon, which lent strong support to the efforts of UNCTAD in promoting inclusive development through commerce and structural change for over the next four years. "We recognize the need to make our common economic life more conducive to progressive structural change, more productive of inclusive and sustainable growth and development and more effective in fostering broad-based inclusion in a new and more robust social contract," the Manar states. At the same time, it acknowledges the need to strengthen UNCTAD and the impact of its work by enhancing its efficiency, effectiveness, transparency, accountability and partnerships.

The Manar also recognizes the economic significance of the revolutionary protests occurring over the past year. "The winds of change blowing in many parts of the world today attest to the desire of populations for responsive policies that foster participatory and inclusive approaches to development towards achieving prosperity for all," it said.

According to the Mandate, the more substantive of the two texts adopted, Member States noted that the global financial crisis had struck in 2008 shortly after UNCTAD XII, and that its effects had spread very rapidly and widely. It had not spared the world's poorest countries, and despite the policy efforts of both developed and developing countries, the global economic recovery remained fragile. Its ripple effects had impacted, among other things, efforts to ensure food security, combat climate change and stabilize energy and other commodity prices.

"Development-centred globalization sets the stage for inclusive growth and development and contributes towards reducing poverty and creating jobs," the Mandate states, adding that development strategies should be inclusive and designed to meet human needs.

Source: UNCTAD, 26.04.12.

Study fixes poverty line at Rs 66 for cities and Rs 35 for villages in India

Here is a new set of official statistics that can escalate the politically contentious debate on what constitutes the poverty line in India. If the average monthly consumption expenditure is taken as the benchmark of what an individual needs to survive, the poverty line would be Rs 66.1 for urban areas and Rs 35.1 for rural regions, while about 65 percent of the population will be below this cut-off. The figures, based on the 66th round of the national sample survey for 2009/10, provide a more realistic marker for estimating both the poverty line and the population below it than the Planning Commission's calculation of Rs 28.65 per capita per day for cities and Rs 22.42 for rural areas.

The rural and urban all-India averages for monthly expenditure are Rs 1,054 and Rs 1,984 per person, respectively, and if these are projected on the expenditure-population curve, the population below this works out to 64.47 percent (rural) and 66.70 percent (urban).

With almost all states showing more than 60 percent of population below the monthly expenditure averages, the oft-repeated claim that 70 percent of India lives on less than $2 (Purchasing Power Parity) a day has a ring of truth in it. As yet there is nothing official about using monthly average expenditure as the poverty line, and the government has said its calculations are based on the Tendulkar Committee formula. The Tendulkar Committee had concluded that based on 2004 statistics, the number of poor was a high 37.2 percent, instead of the estimated 27.5 percent, and based its findings by factoring in education, health and other amenities. The proposed committee is expected to account for such variables.

After facing criticism in March, when it reduced the urban and rural poverty lines to Rs 28.65 and Rs 22.42 from Rs 32 and Rs 26, the Planning Commission said it will set up a technical committee on measuring poverty.

The large section of population below the expenditure curve also points to a worrying inequity in incomes, something that should concern planners as the government looks to target benefits for those who need them through initiatives like food security and employment guarantees. India's schemes might be off-target, or suffering from poor reach while benefits of economic growth are not meeting the ruling alliance's policy objectives of "inclusive growth" as it is evident from the data that there is a concentration of buying power in the top 30–35 percent of the population.

The 60-plus percent of population below the average monthly spending is clearly not progressing as fast as the segment whose income and expenditure is disproportionately influencing the statistical mean. This might point to the need to examine the nature of employment and be a wake-up call for efforts to improve skills. Among the states, there is not much to choose between those often stigmatized as "backward" like Uttar Pradesh and Bihar, Gujarat and Maharashtra. Even in the better-off states, the percentage of rural populations below the average monthly expenditure line is above 60 percent. In urban areas, it is a shade under 60 percent for Gujarat, but almost 70 percent for Maharashtra.

Source: The Times of India, 29.04.12.

More investment needed in wheat research and development

Stagnating productivity growth of wheat, one of the two most important staple foods in Asia, threatens to create a food security crisis in the world's most populous region, according to the Food and Agriculture Organization of the United Nations (FAO) which co-hosted a major international conference on wheat in April in Bangkok in collaboration with Asia-Pacific Association of Agricultural Research Institutions (APAARI).

"Food security in this region depends largely on the availability of rice and wheat—two key staple crops underlying food security of Asian peoples. The demand for wheat in this region is growing rapidly, for human consumption, animal feed and other uses, but productivity for this crop has not grown at expected levels. While rice has attracted substantial political attention, wheat has been largely forgotten for too long,'' Hiroyuki Konuma, Assistant Director-General and FAO Regional Representative for Asia and the Pacific told the "Regional Consultation on Improving Wheat Productivity in Asia".

With arable land and crucial natural resources such as water in increasingly short supply, and climate change complicating agricultural strategies, the challenge of providing enough wheat to feed growing populations is becoming more difficult. Other threats to wheat production and food security are soil degradation, over-reliance on chemical fertilizers, and increasingly resistant pests and diseases.

The world's population is projected to reach 9 billion people by 2050, and food production will need to increase by 77 percent in developing countries to meet demand, according to FAO. Asia accounted for 292 million tons of the global total of 651 million tons of wheat produced in 2010. However, the region is a net wheat importer, and the productivity of Asia's wheat farmers pales in comparison to those in other regions. Wheat farmers in Asia on average produce 2.3 tons of wheat per hectare, while those in Europe produce an average of 5.3 tons per hectare.

"While consumer preference for wheat products is increasing, major challenges are coming for wheat food security in Asia, and especially in South Asia," said Thomas Lumpkin, Director-General of the Mexico-based International Maize and Wheat Improvement Center. "Much more investment in wheat research and development is essential."

Source: FAO, 26.04.12.

MDG on mortality rates of children under five and mothers won't be met

The developing world's progress is seriously lagging on global targets related to food and nutrition, with rates of child and maternal mortality still unacceptably high, says the Global Monitoring Report (GMR) 2012, released by the World Bank and the International Monetary Fund (IMF). Recent spikes in international food prices have stalled progress across several of the Millennium Development Goals (MDGs), the report says.

GMR 2012: Food Prices, Nutrition and the Millennium Development Goals reports good progress across some MDGs, with targets related to reducing extreme poverty and providing access to safe drinking water already achieved, several years ahead of the 2015 deadline to achieve the MDGs. Also, targets on education and ratio of girls to boys in schools are within reach.

In contrast, the world is significantly off-track on the MDGs to reduce mortality rates of children under five and mothers. As a result, these goals will not be met in any developing region by 2015. Progress is slowest on maternal mortality, with only one third of the targeted reduction achieved thus far. Progress on reducing infant and child mortality is similarly dismal, with only 50 percent of the targeted decline achieved.

“High and volatile food prices do not bode well for attainment of many MDGs, as they erode consumer purchasing power and prevent millions of people from escaping poverty and hunger, besides having long-term adverse impacts on health and education,” said Justin Yifu Lin, the World Bank’s Chief Economist and Senior Vice President for Development Economics. “Dealing with food price volatility must be a high priority, especially as nutrition has been one of the forgotten MDGs,” he added.

GMR 2012 details solutions for making countries and communities more resilient in the face of food price spikes. Countries should deploy agricultural policies to encourage farmers to increase production; use social safety nets to improve resilience; strengthen nutritional policies to improve early childhood development; and design trade policies that enhance access to food markets, reduce food price volatility and induce productivity gains. However, the challenges countries face in responding to high food prices have been made more difficult as a result of the global recession.

“The fragile global economy could very well slow developing countries’ progress on human development goals, since the fiscal, debt, and current account positions, particularly of low income countries, have been weakened by the global financial crisis,” said Hugh Bredenkamp, Deputy Director of the IMF’s Strategy, Policy and Review Department.

Regional progress towards the MDGs is uneven. While upper middle-income countries are on track to achieve most targets, low-income or fragile countries are lagging, with only two goals achieved or on-track. While food prices have declined from their 2011 peaks, commodity prices remain volatile. “To help deal with volatility, more developing countries are complementing their fiscal and monetary policy responses with insurance or hedging operations, such as selling crops in forward markets. This can be part of a broader strategy for managing risks like natural disasters and swings in commodity prices,” said Lynge Nielsen, Senior Economist at the IMF.

Source: World Bank, 20.04.12.

India tells WTO it will further open market for LDCs

Four developing countries, including India, have told the World Trade Organization (WTO) they would further open their markets for the least-developed countries (LDCs), a move which will help boost the economies of the poor nations.

"Four WTO members (India, China, Chinese Taipei and Korea reported their commitment to opening their markets for products from least-developed countries (LDCs)...reflecting increased efforts by the developing economies to improve market access conditions for exports from the poorest countries," the WTO said on its website.

At a meeting of the sub-committee on the LDCs, these members have provided information on their duty-free schemes. The committee is dedicated to discuss issues of particular importance to LDCs.

India's duty-free tariff preference scheme is operational since 2008, and since then duties are being gradually eliminated to bring 85 percent of its tariff lines under duty-free coverage (for the LDCs) over a period of five years. India is among the fastest growing markets for exports from LDCs.

The LDCs comprise about 12 percent of the world's population, but account for less than 2 percent of world's GDP and about 1 percent of global merchandise trade. India's trade with Africa, a continent which comprises the maximum number of LDCs, increased to US$16.28 billion in 2010/11 from US$10.3 billion in 2009/10.

Source: PTI, 22.04.12.

Sluggish exports dim growth prospects in Bangladesh: IMF

Bangladesh's economic growth will slow down to 5.9 percent in the current fiscal year, largely due to falling exports and sluggish investment, the International Monetary Fund (IMF) said. The estimate is lower than the government's target of 7 percent for the current fiscal year of 2011/12. The growth in gross domestic product will, however, make a comeback in the upcoming fiscal year, expanding at 6.4 percent, the IMF said.

The country's economy expanded 6.7 percent in 2010/11 even in the face of the global recession. The forecast from the Washington-based lender came in its April 2012 World Economic Outlook, ahead of the Spring Meetings of the IMF and the World Bank in Washington. Bangladesh's growth prospect for this year is almost in line with the slowing growth in Asia, which will expand by 6 percent in 2012.

Source: The Daily Star, 19.04.12.

Maldivian president announces resumption of fishing subsidies

Maldivian President Dr Mohamed Waheed Hassan has said he intends to resume the payment of subsidies to fishermen. The President added that he would try to provide fish at better prices by increasing the promotion of pole and line fishing in other countries. President’s Office spokesman Abbas Adil Riza has said that the money was badly needed as the industry was in “real economic trouble,” despite the government coming under pressure to cut state expenditure.

Minister for Fisheries and Agriculture Ahmed Shafeeu said that the subsidy had not been paid at all in 2011. He added that this year’s subsidies had not been reserved exclusively for fuel, with funding being set aside for measures to encourage investment in ice plants—for which there was apparently a high demand.

Shafeeu also spoke of the ministry’s plans, unrelated to these particular subsidies, to improve access to loans to encourage investment in the industry. The local industry is also thought to have been affected by the mass harvesting of fish stocks by foreign vessels in and around Maldivian waters. Traditional pole and line techniques struggle to compete with the more sophisticated technology and less environmentally considerate practices used by some competitors.

Deputy Minister for Fisheries and Agriculture Ali Solih explained that the proposed subsidies amounted to Rf100 million for the year, and would be disbursed once approval came from the Parliament. He added that the current members of the ministry had been working towards this goal since assuming their posts.

Source: Minivan News, 16.04.12.

Coal – the answer to Pakistan’s energy crisis?

Pakistan must turn to coal—both from its own large untapped reserves and from imports—to fuel power generation beyond the next decade if it is to ease the energy crisis which is capping economic growth, trade and industry sources said.

The sixth most heavily-populated country globally, with over 170 million people, has been plagued for years by power cuts and, unless new sources of generation can be developed, it will see power demand outstrip supply for years to come. Yet it has one of the biggest, barely-touched, single coal reserves on the planet—the massive Thar coalfield in the northern Sindh province with 175 billion tonnes of extremely high water-content, low energy coal.

This kind of low-grade, watery coal is found in abundance in other countries, such as Indonesia, the world's biggest exporter, but it has not been economical to exploit in the past. But high oil and gas prices, rising coal prices and new technology to dry out watery, gaseous coal or leave it in the ground but extract the gas from it instead, have prompted projects around the world. The Pakistan government this year declared the Thar coal fields as a Special Economic Zone, with tax breaks and incentives to lure investors to develop coal gasification and mining as part of its strategy to fill the energy gulf.

"In five years, coal's contribution to the energy mix will reach 10 to 12 per cent. It's minor at the moment," said Najib Balagamwala, Chief Executive Officer of Karachi-based trader Seatrade. "The private sector is considering coal-fired plants very seriously, as there's margin there," he added.

Pakistan's energy mix has changed in recent years from mostly hydro to thermal, consisting of domestic gas and imported fuel oil, according to a recent report by the Asia Development Bank. The supply-demand power gap at peak hours reached over 5,000 MW in the financial year 2011, the ADB report said. "The need for coal to fuel the rising demand for energy in Pakistan is well understood," said Shahrukh Khan, Chief Executive Officer of Oracle Coalfields PLC, which is developing mines in Sindh.

Of the 10 coal blocks in Thar, four have been drilled and explored by Oracle, Cougar Energy, Sindh Engro Coal Mining Company and another un-named gasification project company, according to the Government of Sindh website on Thar. Two Chinese firms are also looking to build gasification and coal mining projects in Thar, industry sources said. Oracle was granted a 30-year mining lease for 66 square kilometres of Block VI of the Thar coalfield on Wednesday.

The high water content of Pakistan's domestic coal makes it tricky to mine and transport long distances economically but mine-mouth power plants and coal gassification projects to capture and extract gas trapped in coal seams without mining it are much more viable, industry sources said.

Source: Reuters, 13.04.12.

Sri Lanka policy uncertainty deterring investments

Private investment in post-war Sri Lanka has not risen as anticipated because it still lacks a "predictable policy environment" which creates uncertainties for businesses, according to the Asian Development Bank. The outlook is for moderate but still strong growth in Sri Lanka in 2012, the bank forecast in its *Asian Development Outlook* report.

While the government has been trying to reduce bottlenecks to growth, not enough has been done to cut red tape, the report said. "Investor confidence is a key factor in attracting investment and this requires a predictable policy environment as articulated and reinforced through the legal, regulatory, and institutional framework".

The report adds: "Thus the lack of such an environment for the private sector is a major obstacle to private sector development. Developing that framework will reduce uncertainties in the business environment and avoid unplanned actions that may send mixed signals to potential investors."

The government wants to see a greater role for the private sector through increased investment by both domestic and foreign investors, as investment is needed to bolster growth after the end of the 30-year ethnic war in 2009. "Yet despite the improved political and economic environment, growth in private investment—domestic and foreign—is falling below planned levels," the ADB said. "One reason is that the government has taken only a few steps to reduce red tape and improve the business climate, needed to create the conditions for ramping up private investment."

Although Sri Lanka's position in the World Bank's Doing Business index has improved in 2012 to 89 (out of 183 countries) from 98 in 2011, some "challenges", especially paying taxes, still deter private investment, the report said. Sri Lanka also started to expropriate businesses again last year violating property rights of both citizens and non-citizens, which analysts, economists and rating agencies have warned will have a negative effect on investment and growth.

Source: Lanka Business Online, 16.04.12.

India agrees to allow direct investment from Pakistan

Business ties between India and Pakistan looked set to deepen after the former's commerce minister indicated that it was open to inviting foreign direct investment (FDI) from Pakistan.

"As part of the initiatives to promote liberal trade, India has in principle agreed to FDI from Pakistan," India's Commerce and Industry Minister Anand Sharma said after a meeting in Pakistan with Pakistan's Commerce Minister Makhdoom Amin Fahim. Obstacles were being addressed, Sharma said, adding that the procedures and necessary requirements for allowing FDI from Pakistan were in the formulation stage and would be notified very soon.

Both the countries have also agreed in principle to allow opening of bank branches to facilitate financial transactions and ensure smooth trade. Both the Reserve Bank of India (RBI) and the State Bank of Pakistan have held several rounds of talks in this direction and a very positive situation has emerged. "Both RBI and State Bank of Pakistan are in favour of opening up of branches on both sides of the border," Sharma remarked. Fahim endorsed the idea, saying that both sides were on the same page as far as the decision on allowing bank branches on both sides to operate were concerned.

An India-Pakistan Business Council will be set up soon to be co-chaired by both the countries. Sharma said that following the positive steps taken by Pakistan, India would also strike off 30 percent of the "sensitive list" during the next four months as a confidence-building measure. "We have also decided to open up negotiations in the hospitality, education and tourism sectors and experts groups will be constituted on these issues to work out the modalities for talks," Fahim said.

Both ministers left for Attari-Wagah border near Amritsar to inaugurate the second integrated check post gate that would ease the road traffic and provide upgraded infrastructure for both traders and ordinary travellers using the land route. Indian Home Minister P. Chidambaram opened the Attari checkpost. "It will not only help us economically but our ties with Pakistan will improve considerably," said Punjab Chief Minister Prakash Singh Badal. The integrated check post is on 118 acres of land and can accommodate 600 trucks at a time. It has new storage godowns, wide roads and a luxurious passenger terminal. It is also fitted with 233 CCTV cameras.

Source: DAWN, 14.04.12.

Trade growth to slow in 2012 after strong deceleration in 2011

World trade expanded in 2011 by 5 percent, a sharp deceleration from the 2010 rebound of 13.8 percent, and growth will slow further still to 3.7 percent in 2012, WTO economists project. They attributed the slowdown to the global economy losing momentum due to a number of shocks, including the European sovereign debt crisis.

A significant braking of trade expansion had been forecast for 2011, but multiple economic setbacks during the year dampened growth beyond expectations and led to a stronger than anticipated easing in the fourth quarter.

"More than three years have passed since the trade collapse of 2008–09, but the world economy and trade remain fragile. The further slowing of trade expected in 2012 shows that the downside risks remain high. We are not yet out of the woods," WTO Director General Pascal Lamy said.

"The WTO has so far deterred economic nationalism, but the sluggish pace of recovery raises concerns that a steady trickle of restrictive trade measures could gradually undermine the benefits of trade openness. It is time to do no harm. WTO members should turn their attention to revitalizing the trading system and to ensuring such a scenario does not materialize."

WTO economists cautioned that preliminary trade figures for 2011 and forecasts for 2012 were difficult to gauge due to the extraordinary levels of volatility in financial markets and in the broader economy for the last few years.

The preliminary figure of 5.0 percent for world merchandise trade growth in 2011 is down 0.8 points from their most recent forecast update in September 2011. These figures are in "real" terms, i.e., adjusted to account for inflation and exchange rate fluctuations.

The present trade forecast assumes global output growth of 2.1 percent in 2012 at market exchange rates, down from 2.4 percent in 2011, based on a consensus of economic forecasters. However, there are severe downside risks for growth that could have even greater negative consequences for trade if they came to pass. These include a steeper than expected downturn in Europe, financial contagion related to the sovereign debt crisis, rapidly rising oil prices, and geopolitical risks.

Recent production data suggest that the European Union may already be in recession, and even China's dynamic economy appears to be growing more slowly in 2012. Economic prospects have improved in the United States and Japan as labour market conditions improve in the former and business orders pick up in the latter, but these positives will only partly make up for the earlier negatives.

Source: WTO, 12.04.12.

ACTIVITIES

Public-Private Dialogue on Nepal-China Trade

SAWTEE, in association with Ministry of Commerce and Supplies (MoCS), Government of Nepal, and Nepal Economy, Agriculture and Trade (NEAT) Activity/USAID, organized a half-day Public-Private Dialogue (PPD) on 26 April 2012 in Kathmandu. The objective of the event was to disseminate the overall findings of the "Nepal-China Trade Study" report, which sheds light on Nepal's overall trade indicators with China, Nepal's top potential products to China, and critical trade barriers and supply-side bottlenecks, reviews Nepal-China trade treaties, and provides recommendations for the government of Nepal and the private sector with regard to improving Nepal-China trade.

Public-Private Dialogue on Nepal's Tea and Lentil Exports

SAWTEE, in association with Ministry of Commerce and Supplies (MoCS), Government of Nepal, and NEATActivity/USAID, organized a half-day Public-Private Dialogue (PPD) on 17 April 2011 in Kathmandu. The objective of the event was to disseminate the findings of the report titled "Export of Tea and Lentils from Nepal" that was prepared by a team of trainees who had participated in the training "International Trading System" organized by SAWTEE in cooperation with MoCS as part of NEAT Activity from 7–9 February 2012 at Godavari, Lalitpur.

Discussion programme on Climate Change, Food Security and Trade

"Better and fuller understanding of linkages between trade, climate change and food security is urgently needed". This was a key conclusion of a joint session on "Climate change, food security and trade: Challenges and opportunities" organized by SAWTEE and CUTS International on 24 April in Doha. The session took place at the Civil Society Organization Forum on the sidelines of the UNCTAD XIII. The main objective of the event was to discuss linkages between trade, climate change and food security and identify elements, issues and agendas for providing holistic policy responses. It was attended by a number of developing country ambassadors, country delegates, and representatives of international and non-governmental organizations. The event concluded that knowledge-creation and capacity building on trade-climate change-food security linkages is urgently needed. This will allow stakeholders in developing countries to better understand the challenges and find holistic solutions.

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