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OPINION IN LEAD

Has Trump just launched a global trade war?

The United States (US) President Donald Trump recently signed a proclamation to raise tariffs for steel by 25 per cent and for aluminium by 10 per cent.

It sent shockwaves across the world not only because of the losses to metal exporters, but due to what it may signify—the start of a global trade war that will cause economic disruption and may damage, if not destroy, the multilateral trade system.

The US, joined by Europe, has been the anchor of the global free trade system since the end of World War II. In practice, this rhetoric of free trade was hypocritical because the West continues to have very high protection of their agriculture sector, which cannot compete with those of many developing countries. Moreover, the developed countries champion high intellectual property rights standards through an agreement in the World Trade Organization (WTO), under which their companies create monopolies, set high prices and make excessive profits. This is against the free competition touted by free-trade advocates.

In manufacturing and metals, the developed countries have pressed the others to join them in cutting or removing tariffs and to expand trade, through negotiations in the WTO and its predecessor, the GATT (General Agreement on Tariffs and Trade).

They have argued that poorer countries can best grow richer by cutting their tariffs, thus benefiting consumers and forcing their producers to become more efficient.

Trump's move upends the ideology of free trade. According to his America First philosophy, if cheaper imports displaced local steel and aluminium producers, these imports must be stopped because a country must make its own key products.

Since the US has been the flag-bearer of the free-trade religion, this has profound effects on other countries. If the leader has changed its mind and now believes in openly protecting its industries, so too can other countries. The basis for liberal trade is destroyed and the old rationale for protectionism is revived.

The WTO rules allow countries adversely affected by imports to take certain measures, but they have to prove that the producers of exporting countries unfairly receive subsidies or set lower prices for their exports. Or they can take "safeguard" measures of raising tariffs but only for a limited period to help affected local producers to adjust.

Trump however made use of a little-used national security clause (Section 232) in the US trade laws to justify his big jump in steel and aluminium tariffs. The clause allows the President to take trade action to defend security. The WTO also has a security exception in GATT Article XXI.

But what constitutes national security is not clearly spelt out either in the US or the WTO laws, and countries can abuse this clause.

The Trump administration tried to justify invoking the security factor by saying steel and aluminium are needed to make weapons of war. But this was undercut by giving exemptions from the increased duties to Canada and Mexico due to their membership of the North American Free Trade Agreement (NAFTA) that includes the US. The exemptions for reasons unrelated to security expose the security rationale as fake.

Other countries are angry and preparing to retaliate. The European Union has drawn up a list of American products on which its member countries will raise tariffs. China warned it would make an appropriate and necessary response.

At the WTO General Council on March 8, the US action was attacked. Many countries condemned the unilateral move and the use of the national security rationale. Canada said the security issue “may be opening a Pandora’s box we would not be able to close”.

Brazil expressed deep concern about an elastic or broad application of the national security exception. India said the national security exception under GATT should not be misused and unilateral measures have no place in the trade system. China argued that the over-protected domestic industry would never be able to solve its problems through protectionism.

Many WTO member states will most likely take the US to a dispute panel, and the outcome will have strong consequences. If the panel rules for the US, then other countries will view the decision as permission for all countries to take protectionist measures on the grounds of security.

If the decision goes against the US, it will strengthen the anti-liberal trade faction and tendency in the Trump administration to ignore or even leave the WTO.

The next big protectionist move from the US may come in a few weeks when Trump decides what action, if any, to take against China after considering a Commerce Department report on China’s trade and intellectual property practices.

If strong action against China is announced, China can be expected to take strong retaliatory action. That may escalate the trade war that is already under way.

(Adapted from the article by Martin Khor published in The Star Online, available at: https://www.thestar.com.my/opinion/columnists/global-trends/2018/03/12/did-trump-just-launch-a-trade-war-the-presidents-tariff-hikes-last-week-end-american-leadership-of-l/.)

REPORT

Economic prospects of LDCs towards attaining SDGs

Economic development in the world’s least-developed countries (LDCs) is stalling against the background of a lukewarm global recovery, risking widening inequality, new analysis from United Nations Conference on Trade and Development (UNCTAD) has revealed.

The LDCs bore the brunt of the global trade slowdown and of the anaemic recovery associated with insufficient global demand and mounting levels of inequality. In 2016 the LDC combined gross domestic product (GDP) experienced its lowest real growth rate since the beginning of the century (3.8 per cent), with as many as 14 LDCs (out of 45 for which individual country data is available) suffering a deterioration of real GDP per capita. Preliminary data for 2017 and projections thereafter suggest that some improvements are indeed taking place, with LDC growth rate back at 5 per cent in 2017 and a projected 5.4 for 2018. The picking up of the global economy, however, may well take some time to consolidate and touch a greater number of countries.

According to *Selected Sustainable Development Trends in the Least Developed Countries 2018* published by UNCTAD, a number of risk factors, including unresolved flaws in the prevailing economic policy framework, as well as heightened policy uncertainties, loom large on this tepid recovery. The document is a contribution to the United Nations system’s efforts to follow up and monitor the implementation of Agenda 2030 for Sustainable Development, since it reviews recent progress against selected targets and indicators related explicitly to the 47 LDCs.

In African LDCs and Haiti real GDP growth rate peaked in 2013 (+5.7 per cent), declined in the two following years (bottoming down at +2.9 per cent in 2016), and recovered thereafter. In Asian and Island LDCs, conversely, growth rates bottomed slightly earlier (already in 2015) but also witnessed an earlier and more pronounced rebound, particularly in the case of Asian LDCs.

The above pattern is largely consistent with the fact that African LDCs typically display a higher reliance on raw materials and primary commodities exports, with fuels accounting on average for nearly half of their merchandise exports revenues. Such heightened levels of export concentration on a narrow range of primary commodities expose countries to large exogenous shocks and ensuing boom-bust cycles, through reductions in the direct contribution of commodity industries to GDP, lower public revenues, as well as through contractions in export revenues and possibly FDI inflows.

Growth performances across individual LDCs have continued to display wide variation in 2017, as they did in the earlier biennium. Three of the 45 LDCs for which data is available suffered full-fledged recessions (i.e. negative real GDP growth), mainly because of idiosyncratic shocks, such as internal conflict/insecurity situations: this is the case of Yemen, South Sudan, and Burundi (where a virtual stagnation in 2017 followed two consecutive years of recession). At the other end of the spectrum, several LDC economies have featured among the world's most dynamic economies, and attained in 2017 the SDG 8.1 target of seven per cent GDP growth rate. This is the case of Bangladesh, Djibouti, Ethiopia, Myanmar, and Nepal. Though slightly missing the SDG target, various other LDCs posted real GDP growth in excess of six per cent: namely Burkina Faso, Cambodia, Guinea, Lao People's Democratic Republic, Rwanda, Senegal and Sierra Leone.

Notwithstanding some encouraging performers, it is sobering to note that in 2017 only five of these 45 LDCs achieved the SDG 8.1 target. This represents only a marginal improvement over 2016: the year with the smallest number of LDCs meeting the seven per cent growth target since its first adoption in the 2001 Brussels Programme of Action for the LDCs.

Meanwhile, in a context of feeble recovery of international trade and moderate commodity prices, LDCs remain unlikely to find in international trade a meaningful solution to their growth slowdown, and this meagre outcome could further affect FDI flows. Coupled with the levelling-off of aid flows, as well as workers' remittances, this suggests that the vast majority of LDCs will continue facing sizeable current account deficits, possibly exacerbated by foreign exchange. Outbreaks of civil unrest in politically unstable LDCs, humanitarian crises, and adverse environmental shocks will only increase economic vulnerabilities further, hindering investments and jeopardizing the hard-won progress made on the social development front.

Similar prospects for the global economy make it all the more imperative for the international community at large to embark in renewed concerted efforts for a "global new deal", capable of delivering inclusive growth worldwide, the report urges. At the same time, recent trends suggest that the ongoing tepid recovery alone is unlikely to provide sufficient support for most LDCs to reverse their long-standing marginalization and income divergence, while embarking in a sustainable development path. Redressing such widening global inequalities and leaving no one behind thus requires meeting long-standing commitments towards the LDCs, as well as matching the level of ambition of the SDGs with a corresponding enhancement of the international support measures in favour of the world's most vulnerable countries.

(Adapted from a publication by the UNCTAD titled Selected Sustainable Development Trends in the Least Developed Countries 2018)

NEWS

Calls for strong Nepal-Bangladesh ties, connectivity

Diplomats, experts and officials have called for maximizing trade and investment opportunities by enhancing connectivity between Nepal and Bangladesh.

Speaking in the second edition of the Nepal-Bangladesh Business Forum (NBBF) with a theme “Beyond Bilateralism: Cooperation for Prosperity”, Mr. Iqbal Sobhan Chowdhury, media advisor to prime minister of Bangladesh, underlined the smooth bilateral relations between Nepal and Bangladesh and stressed the need to maximize the bilateral trade.

“Even though commerce between Nepal and Bangladesh have steadily increased in the recent past, trade potential and investment opportunities have not been exploited at their maximum,” Mr. Chowdhury noted, underlining the role of such forum towards enhancing the trade potential between the two countries. The NBBF is a bilateral platform for policy makers, diplomats, business leaders, entrepreneurs, scholars, media, among others, to discuss various issues related to bilateral economic cooperation, including trade, tourism, connectivity, and energy.

Additional Secretary of the Government of Bangladesh Mr. Jalal Ahmed; Chairperson of Nepal Bangladesh Bank Limited and former vice-president of Asian Development Bank Mr. Bindu N Lohani; former governor of Nepal Rastra Bank Mr. Deependra Bahadur Kshetry and former secretary at the Ministry of Commerce and Supplies Mr. Purushottam Ojha spoke about various facets of the bilateral ties.

Speakers underlined the role of multilateral and bilateral banks towards reinforcing economic cooperation and integration. In numerous strategic areas where banks’ involvement is necessary, such as physical connectivity and infrastructure development, trade and investment facilitation through tariff negotiations, assistance in financial market expansion and cooperation on public goods provision, they said.

On the occasion, Director General of the Department of Railways Mr. Ananta Acharya; CEO of Bangladesh Foreign Trade Institute Mr. Ali Ahmed and Research and Development Director at Asian Institute of Diplomacy and International Affairs (AIDIA) Mr. Shyam KC stressed that Nepal and Bangladesh need to explore the efficient connectivity corridor as well as port facilities.

They pointed out the supply and demand mismatch and insufficient connectivity infrastructure as the reason for low level of trade between the two countries. The speakers called for bilateral and regional transit agreements to promote trade and business, road networks, rail infrastructure and sea port access enhancement for strengthening the economic cooperation.

In her closing remarks, Bangladeshi Ambassador to Nepal Ms. Mashfee Binte Shams said they had decided to focus more on banking and connectivity issues in the second edition of the NBBF.

Source: http://kathmandupost.ekantipur.com/, 26.02.2018.

WTO/EIF launch news portal for LDCs

A new portal has been launched by the Enhanced Integrated Framework (EIF) to provide a platform for the exchange of news, information and experiences on trade and development in least-developed countries (LDCs).

Officially launched by the EIF at the World Trade Organization’s Committee on Trade and Development’s Aid for Trade meeting on 19 February, the Trade for Development News platform serves as a forum for LDC governments and stakeholders to share their successes, challenges and strategies for enhancing LDC participation in global trade.

“The Trade and Development News platform is another great contribution by the EIF to the Aid for Trade initiative,” said Ms. Sainabou Taal, Trade Policy Analyst in the WTO Development Division. “Serving as a one-stop-shop for LDC-specific trade and development news is a great way to allow LDCs and their partners to share experiences. This is an important milestone in enhancing the Aid for Trade initiative’s objectives on knowledge creation and sharing, and illustrating impact on the ground.”

The 47 countries classified as LDCs—36 of whom are WTO members—are home to 13 per cent of the global population, but account for only 1 per cent of global trade. WTO agreements include provisions aimed at increasing LDCs’ trade opportunities and allowing LDCs flexibility in implementing WTO rules. The WTO Ministerial Conferences held in Bali in 2013 and in Nairobi in 2015 adopted several decisions in favour of LDCs to assist their better integration into the multilateral trading system.

The new EIF portal already features stories on trade and development news in WTO members such as Samoa, Vanuatu, Cambodia, Zambia, Senegal, the Gambia and Burkina Faso.

“We have an expansive agenda of partnership and we don’t want to confine ourselves but to engage in new and different ways,” added Mr. Ratnakar Adhikari, Executive Director at the Executive Secretariat of the EIF. “That includes launching the Trade for Development News site to serve as a hub for information on LDCs, aid for trade and trade for development around the world in partnership with several organizations within the organic EIF structure as well as outside.”

Source: https://etradeforall.org/, 26.02.2018.

Af-Pak traders demand early Afghan transit trade meeting

Pakistan-Afghanistan Joint Chamber of Commerce and Industry (PAJCCI) has asked Pakistan’s Ministry of Commerce to facilitate early holding of a meeting of the Afghanistan-Pakistan Transit Trade Coordination Authority (APTTCA).

The request was made when a PAJCCI delegation met Commerce Secretary Mr. Younus Dagha at the Ministry of Commerce, according to a press release issued on 24 February.

PAJCCI Chairman Mr. Zubair Motiwala and Co-chairman Mr. Khan Jan Alokozai led the delegation. Motiwala reiterated the significance of economic ties between Pakistan and Afghanistan.

Pakistan had invited Afghan minister for commerce for a meeting in Islamabad in January 2018, although Kabul postponed the 7th APTTCA meeting indefinitely.

“The Ministry of Commerce desires to discuss all outstanding issues in bilateral and transit trade and has been working vigorously to remove impediments on the Pakistan side,” Mr. Dagha was quoted as saying in the press statement.

It was pointed out that draft text of the proposed Preferential Trade Agreement (PTA) had been shared with Afghanistan through diplomatic channels in 2014. However, Kabul’s response is still awaited.

The delegation discussed problems relating to customs valuation, bonded carriers, regulatory duty, quarantine issues and visa hurdles faced by businessmen of both sides.

After recording a dip in fiscal year 2016-17, Afghanistan’s transit trade through Pakistan looks set to come back on track.

Trade reached US$1.4 billion in the first six months (July-December) of the ongoing financial year, indicating the volume can jump to around US$3 billion by the end of 2017-18.

Transit trade peaked at US$3.46 billion in 2015-16, but it dropped to US$2.87 billion in financial year 2016-17.

Source: https://tribune.com.pk/, 25.02.2018.

Brazil circulates proposal for WTO investment facilitation deal

Brazil submitted an extensive draft proposal for a potential agreement on investment facilitation to the WTO's General Council, in a bid to jumpstart more "structured discussions" on the subject.

The proposal, which was circulated on 1 February, serves as a response to the call made by 70 WTO members in a "Joint Ministerial Statement on Investment Facilitation for Development," which was released on 13 December on the margins of the WTO's Eleventh Ministerial Conference (MC11).

The MC11 statement followed the work done by the "Friends of Investment Facilitation for Development" (FIFD) group, which had led to informal discussions on the subject last year. The FIFD group had also helped convene a high-level investment facilitation meeting in Abuja, Nigeria, with the support of regional partners last November.

In its submission, the Brazilian delegation clarifies that the draft proposal is not intended to serve as a negotiating text, but rather is meant to serve as a "concrete illustration" of what an agreement on investment facilitation could look like

The Brazilian text is more extensive and detailed compared to earlier proposals submitted by various delegations in 2017. The scope and the main elements, however, remain the same. These include articles that aim to improve the transparency, predictability, and efficiency of regulatory and administrative frameworks related to investment policies and measures. Proponents of these measures say that these would then provide a more stable and secure enabling environment for investors to undertake sustainable investments in host economies, thus promoting trade and economic growth.

The Brazilian proposal includes examples of articles that would strengthen institutional or "electronic" governance, such as by setting up a "single electronic window" that would publish relevant documents and help streamline the application and admission procedures for incoming investments.

The proposal also includes an article that would establish a national focal point, in other words a delegated authority which would mediate and facilitate investor concerns with public authorities and would also operate the above-mentioned single electronic window.

Going forward, it remains to be seen how the proposal will be received among both current participants in the investment facilitation joint statement, as well as the WTO's wider membership. Earlier attempts to discuss investment facilitation-related issues at the General Council last year and in minister-facilitated meetings during MC11 were strongly opposed by a coalition of countries, which included India and South Africa.

Some sceptics of the investment facilitation initiative have suggested that the subject falls outside the organisation's mandate, while some have said the issue of investment facilitation is no different than the original "Singapore" issue of investment that had been considered for inclusion in the Doha Round of trade talks, only to be dropped from consideration.

Source: https://www.ictsd.org/, 08.02.2018.

India joins Ashgabat Agreement

India has joined the Ashgabat Agreement which envisages setting up of an international transport and transit corridor linking central Asia with the Persian Gulf to significantly ramp up trade and investment. "Turkmenistan, as depository State of Ashgabat Agreement, informed India today that all the four founding members have consented to the accession of India (to the agreement)," the external affairs ministry of India said.

Besides Turkmenistan, the other founding members of the agreement are Iran, Oman and Uzbekistan. These countries had signed the pact on 25 April 2011.

"Accession to the Agreement would diversify India's connectivity options with central Asia and have a positive influence on India's trade and commercial ties with the region," the ministry said in a statement.

After approval of the Union Cabinet, India had deposited the instrument of accession with Turkmenistan in April 2016.

Source: https://timesofindia.indiatimes.com/, 01.02.2018.

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