



*Cover of the Trade and Development Report 2016. Photo: UN/©FOTOLIA:Cifotart, Dickov, Lulu, Naeblys, Raman Maisei – ©WORLD BANK: Ami Vitale*

**22.09.2016 – The release of the Trade and Development Report 2016 has been accompanied by a press conference in Brussels, raising questions on the impact of TTIP, TPP and Brexit on European trade.**

Getting the world economy back on track requires that global leaders use bolder macroeconomic policies, strengthened regulation of finance and active industrial policies, said the [United Nations Conference on Trade and Development](#) (UNCTAD).

In its annual [Trade and Development Report](#) , the United Nations body warns that the slowdown in global growth – now in its sixth straight year –and the failure of advanced economies to boost demand, raise productivity and achieve fairer outcomes could intensify as developing countries are now caught in the downdraft.

UNCTAD contends that economic slowdown in advanced economies is the biggest drag on global growth, arguing that the lack of global demand and stagnant real wages are the main problems behind the slowdown in international trade. In many developed countries, a stringent fiscal stance and at times outright austerity have led to one of the weakest recoveries from an economic crisis on record. This has come on top of a prolonged period of slow wage growth, leading to insufficient household demand and weak spending on productive investment. The growth rate of the Eurozone is close to being matched by the slowing US growth rate, while Japan continues to stagnate.



*The sun sets over the City of London. Photo: Flickr/Stewart Morris*

In the UK, revived growth is said to be cut short by Brexit. However, UNCTAD did not make broader predictions on the impact of Brexit because it is still difficult to know what – if any – will be the wider contagion effects.

The report says that trade is becoming politicised: mega-trade deals like TTIP and TPP are failing to provide a solution, and protectionism is returning as a foreign policy tool. It warns that if policymakers fail to mitigate the negative impacts of unchecked global market forces, then a turn to protectionism could trigger a vicious downward cycle affecting everyone. Richard Kozul-Wright, Head of the UNCTAD Division on Globalisation and Development Strategies and lead author of the report, stressed, ‘enthusiasts for efficient markets once promised that financial deregulation would boost productive investment, but this promise has not been met.’

One message to be drawn from the conference is that financial markets need to be disciplined. The report calls for the closure of corporate tax loopholes, plus fiscal and regulatory measures to encourage long-term investment. It argues for more diversified financial systems, including a bigger role for development banks.

The report recommends that advanced economies can help kick-start sustainable global growth by combining proactive fiscal policy, including on infrastructure spending, with supportive monetary policy and redistributive measures too (including minimum wage legislation, progressive taxation and welfare-enhancing social programmes).

Europe is implicated in UNCTAD’s point that many of the measures called-for will require better policy coordination at the international level, particularly among systemically important economies in the Group of 20.

As UNCTAD Secretary-General Mukhisa Kituyi emphasises, “solutions require an ambitious rethink, not a tepid business-as-usual reaction”.