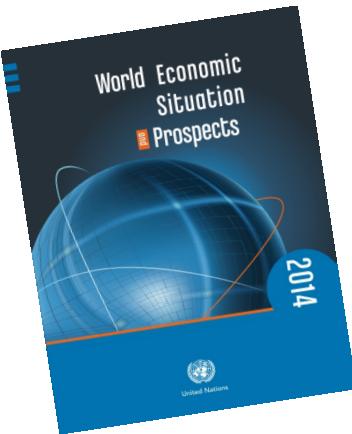


### Economic Developments



## Global economy is improving, but remains vulnerable to new and old headwinds that could derail growth

Robert C. Shelburne, UNECE Senior Economic Affairs Officer, and Alfredo Calcagno, Head of the Macroeconomic and Development Policies Branch of the United Nations Conference on Trade and Development (UNCTAD) presented the ***World Economic Situation and Prospects 2014 (WESP)*** at a press conference at Palais des Nations on 20 January. This was part of the global launch of the report, which is produced annually by DESA, UNCTAD and the five regional commissions, in various countries around the globe.

The report finds that global economic growth should increase over the next two years at a pace of 3.0 per cent in 2014 and 3.3 per cent in 2015, compared with an estimated growth of 2.1 per cent for 2013. According to WESP, inflation will remain tame worldwide, but the employment situation will continue to be challenging. While growth in international trade flows is expected to pick up moderately to 4.7 per cent in 2014, the prices of most primary commodities are projected to be flat, although any unexpected supply-side shocks, including geo-political tensions, could push some of these prices higher. The report warns that international capital flows to emerging economies are expected to become more volatile as the U.S. Federal Reserve begins to taper its quantitative easing.

### Developed economies

In the United States, fiscal tightening and a series of political gridlocks over budgetary issues weighed heavily on growth in 2013; however, quantitative monetary easing boosted equity prices. The U.S. labour market and housing sector continued to recover. Gross Domestic Product (GDP) in the U.S. is expected to increase 2.5 percent in 2014.

Western Europe emerged from recession in 2013, but growth prospects remain weak, as fiscal austerity will continue and unemployment rates remain elevated. GDP in Western Europe is expected to grow by 1.5 per cent in 2014.

Growth in Japan has been boosted by a set of expansionary policy packages, but the effects of forthcoming structural reforms remain uncertain and an anticipated increase in Japan's consumption tax rate is expected to curb growth. GDP is forecast to grow by 1.5 per cent in 2014.

### Economic growth in the CIS should pick up in 2014

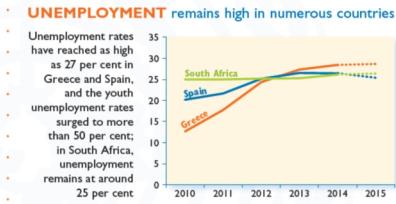
Economic growth in the Commonwealth of Independent States (CIS) and Georgia weakened to about 2.0 per cent in 2013, largely reflecting a sharp deterioration in growth in the Russian Federation, but is expected to strengthen to 3.4 per cent in 2014, and to recover more solidly to 4.1 per cent in 2015. In Central Asia growth has been and is expected to be stronger than in the European CIS countries due to the strength of the energy and mining sectors as well as investments in infrastructure development. Inflation will remain moderate in the CIS but could reach double-digit levels in some of the faster growing Central Asian economies.

## WORLD ECONOMIC SITUATION AND PROSPECTS 2014

### GLOBAL ECONOMY IS IMPROVING BUT REMAINS VULNERABLE

#WESP2014  
<http://bit.ly/WESP>

WORLD GROSS PRODUCT	Forecast growth in %	2014	2015
is forecast to grow at a pace of 3.0 in 2014 and 3.3 in 2015			
in 2014	1.4	1.8	
and 3.3 in 2015	3.0	4.2	
	7.5	7.3	
	5.3	5.7	
	1.5	1.2	
	4.0	4.8	
Russian Federation	2.9	3.6	
South Africa	3.3	3.7	
USA	2.5	3.2	



### INFLATION



### RISKS AND UNCERTAINTIES

- 1 Unwinding of quantitative easing may cause global financial turmoil and threaten the recovery
- 2 Vulnerability of emerging economies to external shocks
- 3 Still fragile banking system and real economy in the EU
- 4 Debt-ceiling negotiations in the US
- 5 Geopolitical tensions in Western Asia

Despite the slowdown in growth, unemployment in most of the CIS economies remained relatively stable or declined slightly, with the notable exception of Ukraine. Migration, predominantly to the Russian Federation, remains an important way to alleviate labour market tensions in the low-income countries of the CIS. The global economy continues to provide a challenging environment for CIS economies that have weak external demand, lack of diversification and difficulties in accessing external finance.

### South-Eastern Europe

Real economic activity in all of the countries in South-Eastern Europe turned positive in 2013 after experiencing a decline in GDP of almost 1 per cent in 2012. Growth is projected to accelerate to 2.6 per cent in 2014 and 3.1 per cent in 2015, thanks largely to the improving growth prospects in the EU.

Growth at this pace, however, will not be sufficient to address the region's long-standing need for reindustrialization or reduce the high rates of unemployment that have plagued the region since the 1990s.

## Risks and uncertainties threaten global economy

The report stressed that the risks associated with a possible bumpy exit from the quantitative easing programmes by the U.S. Federal Reserve threaten the global economy, and especially emerging economies, which are dependent on external financing. Other uncertainties and risks include the remaining fragility in the banking system and the real economy in the euro area, the continued political wrangling in the U.S. on the debt ceiling and geopolitical tensions.

## Greater policy coordination needed

The report calls for strengthening international policy coordination to advance the reforms of the international financial system. More forceful efforts are needed to address the issues of international tax avoidance and evasion, particularly through tax havens. **WESP** also reiterates that international policy cooperation should ensure sufficient resources to the least developed countries. □

The report is available at: <http://www.un.org/en/development/desa/policy/wesp/index.shtml>.

## Trade



## Trade Facilitation and the Single Window develop in Central Asia

UNECE has been helping Central Asian countries implement trade facilitation measures, including advanced systems such as the Single Window, since 2000. Yet, when it comes to such complex issues as trade facilitation, results and success may come years later. This is what happened with the launch of a Single Window in Uzbekistan, which was reported as one of the country's success stories in the World Bank's **Doing Business 2014** report. According to the report, "Uzbekistan reduced the time to export by introducing a single window for customs clearance and reduced the number of documents needed for each import transaction".

UNECE played a major role in this development, launching initial ideas, and involving a number of international development partners, such as the international development agencies of Germany (GIZ), the United States of America (USAID), the Asian Development Bank, as well as UNCTAD, UNDP, and experts such as Sweden's Matts Wiktor. Currently, a project with the Korean International Cooperation Agency KOICA aims at further developing Uzbekistan's national Single Window.

The **Doing Business** report measures the efficiency of a country's economy as a function of the time and cost needed to move cargo to and from the nearest port. As a "double landlocked" country, Uzbekistan is at a clear disadvantage. Yet the country's 189<sup>th</sup> place in the report's **Trading across Borders** index indicates that Central Asian countries have to work together on a regional basis to reap the real benefits from trade facilitation. Azerbaijan, Kyrgyzstan and Tajikistan are also implementing Single Window projects. The Azerbaijani system was launched three years ago, and the first phase of Tajikistan's system started in November 2013. The Chair of the SPECA Project Working Group on Trade, Deputy Minister of Economic Development and Trade of Tajikistan, Saidrahmon Nazriev, has suggested that developing a regional trade development and facilitation strategy becomes a priority for 2014. □

Doing Business 2014 is available at: <http://www.doingbusiness.org/reports/global-reports/~media/giawb/doing%20business/documents/profiles/country/UZB.pdf>.

For more information, please contact Mario Apostolov at: [mario.apostolov@unece.org](mailto:mario.apostolov@unece.org).

## Water



## UNECE assists Azerbaijan and Georgia to make another step towards sustainable management of the Kura

On Thursday, 16 January 2014, representatives of Azerbaijan and Georgia met in Baku to negotiate the text of a draft bilateral agreement on the shared water resources of the Kura River Basin as part of a joint United Nations Economic Commission for Europe (UNECE) - Organization for Security and Cooperation in Europe (OSCE) project under the Environment and Security Initiative (ENVSEC). The consultations were constructive, and the draft text will now be the basis of final negotiations between the two countries.

Azerbaijan and Georgia rely on the water in the Kura Basin as a key source of drinking water, as well as for sanitation, municipal and industrial water use, hydropower and irrigated agriculture, among other uses. Increased variation in and reduction of water flow, deterioration of water quality, ecosystem degradation, flooding and bank erosion are some of the issues that need to be addressed jointly by the two Riparian States.

The draft agreement provides a framework for cooperation between the two countries on water pollution prevention and control, conservation of biodiversity, emergency situations, data and information sharing and public participation. The agreement also envisages the establishment of a joint commission for the protection and rational use of water resources of the Kura River Basin.

The project to develop the agreement is being funded by the Government of Finland. □

For further information please visit: <http://www.unece.org/env/water/caucasus.html>  
or contact Bo Libert at: [bo.libert@unece.org](mailto:bo.libert@unece.org).

Not an official record - For information only