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The Global Trade System Could Break Down

Over the past 70 years, multilateralism has served the world well. Much to its credit, the US eschewed retribution and reparations after World War II. Instead, it led the way in establishing the three major economic institutions – the International Monetary Fund (IMF), the World Bank (WB), and the World Trade Organization (WTO) – that form the basis of the international economic order that is still in place today.

Each of these institutions has made a significant contribution to global economic growth, but none more so than the WTO. Owing to the expansion of an open multilateral trading system under the WTO, trade since WWII has grown 1.5 times faster than global gross domestic product (GDP).

Though multilateralism is no less important today than it was throughout the post-war era, threats against the WTO are increasing. Chief among them are the ongoing attacks from US President Donald Trump's administration, which is trying to undermine the institution both in letter and in spirit.

The WTO's 164 member economies have committed to supporting an open multilateral system, and to common rules and procedures that are meant to help that system grow. These rules do for international trade what domestic commercial codes do for contracts and transactions between parties within a given jurisdiction.

Under WTO rules, international trading firms are subject to the same national regulations as domestic firms, and traders have the same rights as nationals in trade partners' courts. Governments may not discriminate against other WTO members. Tariffs are permitted only under certain circumstances. And alleged rule violations are referred to the WTO's Dispute Settlement Body.

The assurance that trading firms will receive fair regulatory and judicial treatment from member-state governments is essential; and the principle of non-discrimination has been a tenet of the global trade system since its inception. These are the provisions that make the system truly multilateral.

Under the WTO framework, the principle of most-favoured nation (MFN) allows for multilateral trade negotiations among equals. Another significant threat to the WTO framework is the Trump administration's use of the national-security provision to justify its discriminatory tariffs on imported steel and aluminium.

The US tariffs have already undermined global growth and weakened the WTO. In a world of cross-border supply chains and increasing interconnectivity, the unnecessary disruption to the iron and steel trade will result in less production not just in exporting countries, but also in the US. And the likelihood that other countries will retaliate makes the situation all the more dangerous.

In any event, discriminatory tariffs will almost certainly fail to accomplish Trump's stated goal: a reduction in the US's bilateral trade imbalances. The current-account balance of any country is the difference between its domestic savings (public and private) and domestic investment. Unless savings increase or investment falls, a current-account gap cannot be narrowed.

Any effort to undermine international trade will inevitably impose high costs on everyone, including the working-class members of Trump's political base. The international community beyond the US must stand up to Trump and reaffirm the principles of an open multilateral system – before it is too late.

Anne O. Krueger is an American Economist; excerpts from an article appeared in Project Syndicate, on September 17, 2018.


Project Syndicate

Articles

Highlights

ARTICLE

Globalisation with Chinese Characteristics

Barry Eichengreen*

If the US turns its back on the global order, China will be well positioned to take the lead on reforming the rules of international trade and investment


The Economist

US President Donald Trump's erratic unilateralism represents nothing less than abdication of global economic and political leadership. Trump's withdrawal from the Paris climate agreement, his rejection of the Iran nuclear deal, his tariff war, and his frequent attacks on allies and embrace of adversaries have rapidly turned the US into an unreliable partner in upholding the international order.

But the administration's 'America First' policies have done more than disqualify the US from global leadership. They have also created space for other countries to re-shape the international system to their liking. The influence of China, in particular, is likely to be enhanced.

So the key question facing the world is this: what does China want? What kind of international economic order do its leaders have in mind?

To start, China is likely to remain a proponent of export-led growth. As Xi put it at Davos in 2017, China is committed 'to growing an open global economy.' Xi and his circle obviously will not want to dismantle the global trading system.

But in other respects, globalisation with Chinese characteristics will differ from globalisation as we know it. Compared to standard post-World War II practice, China relies more on bilateral and regional trade agreements and less on multilateral negotiating rounds.

In 2002, China signed the Framework Agreement on Comprehensive Economic Cooperation with the Association of Southeast Asian Nations. It has subsequently negotiated bilateral free-trade agreements with 12 additional countries. Insofar as China continues to emphasise bilateral agreements over multilateral negotiations, its approach implies a diminished role for the WTO.

The Chinese State Council has called for a trade strategy that is 'based in China's periphery, radiates along the Belt and Road, and faces the world.' This suggests that Chinese leaders have in mind a hub-and-spoke system, with China the hub and countries on its periphery the spokes. Others foresee the emergence of hub-and-spoke trading systems centered on China and also possibly on Europe and the US — a scenario that becomes more likely as China begins to re-shape the global trading system.

The government may then elaborate other China-centered institutional arrangements to complement its trade strategy. That process has already begun. The authorities have established the Asian Infrastructure Investment Bank, headed by Jin Liqun, as a regional alternative to the World Bank. The People's Bank of China has made US$500bn of swap lines available to more than 30 central banks, challenging the role of the IMF. Illustrating China's leverage, in 2016 the state-run China Development Bank and Industrial and Commercial Bank of China provided US$900mn of emergency assistance to Pakistan, helping its government avoid, or at least delay, recourse to the IMF.

Finally, China continues to exercise tight control over its financial system, as well as maintaining restrictions on capital inflows and outflows. While the IMF has recently evinced more sympathy for such controls, a China-led international regime would be even more accommodating of their use. The result would be additional barriers to US financial institutions seeking to do business internationally.

In sum, while a China-led global economy will remain open to trade, it will be less respectful of US intellectual property, less receptive to US foreign investment, and less accommodating of US multinationals seeking a level playing field. This is the opposite of what the Trump administration says it wants. But it is the system that the administration's own policies are likely to beget.

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Negotiations on Fisheries Subsidies

India has been fighting for protecting subsidies given to its artisanal fishing community and maintained that an agreement on limiting subsidies should exclude small fishers.

An agreement on disciplines that prohibit subsidies that contribute to overcapacity and overfishing, and eliminate subsidies that contribute to illegal, unreported and unregulated fishing is one of the pacts that members hope to finalise by the next Ministerial round of the WTO in Kazakhstan early 2020.

This was one of the key decisions of the WTO's Buenos Aires Ministerial meet in December 2017 where some organisations blamed India for blocking a deal in the area.

India wants flexibility in the form of special and differential treatment in the implementation of commitments as its subsidies to small fishers in the form of support for motorisation of fishing boats, fuel rebates and infrastructure support, all fall under the targeted subsidies list at the WTO.

(BL, 19.09.18)

India to Triple Trade with South Asia

The World Bank report estimated India's potential trade in goods with South Asia at US$62bn against its actual trade of US$19bn, which is a mere three per cent of its global trade and about US$43bn below its potential.

As per the Report, India can play a critical role in regional cooperation for mutual economic and welfare gains. It highlights two specific examples of cooperation in the region that sheds light on both barriers and opportunities related to regional trade and connectivity. First, the setting up of borders *haats* by India and Bangladesh will enable small-volume trading among local communities on both sides of the border.

Second, liberalisation of India-Sri Lanka air services, which has improved connectivity, reduced air fares, and increased passenger traffic and air cargo volume.

(ET, 25.09.18)

Pakistan Raises Duties to Avert Crisis

High imports and limited exports have left Pakistan perilously low on foreign reserves – a situation that could yet force the country to approach the IMF For a bail out.

In an effort to stabilise the Pakistani rupee and cut the current account deficit, the Government of Imran Khan has announced that tariffs would be raised on 5,000 goods, including powerful cars, more expensive mobiles phones and jewellery.

Pakistani Finance Minister Asad Umar also announced several measures to cut government spending and increase taxes. Spending on development projects, such as roads and water systems will be cut by almost Rs250bn to Rs725bn. *(FT, 19.09.18)*

Trade Conflicts Threat Economy

The Organisation for Economic Cooperation and Development (OECD), in its interim economic outlook, said that to date the effect of the trade tensions had been 'mild.' But it added that the tariffs risked becoming more detrimental to global growth, which the OECD said had now 'plateaued.'

Most countries economic forecasts have been marked down, the OECD said, partly as a result of weakness in the first quarter of 2018 and partly due to the expected impact of the trade conflicts and tightening financial markets.

The OECD noted the Trump administration's threat to slap 25 per cent tariffs on US$200bn of Chinese imports in January, adding that if such duties were imposed on cars, it could raise inflation by one per cent.

Laurence Boone, the Chief Economist of OECD, added that the trade dispute had a chilling effect on corporate investment.

(FT, 21.09.18)

The Route to a Full-blown Trade War

The European Union (EU), the world's largest trading entity, is a classic player for making alliances. Just when the Trump administration is launching an all-out trade war with China by subjecting all Chinese products to crowbar tariffs, the EU stuck a partial trade deal with the US.

For the past several months, the EU along with the US and Japan are busy forging a common front as part of a 'trilateral' process against China for bringing new disciplines on industrial subsidies, state-owned enterprises, and intellectual properties. So, the trans-Atlantic alliance has sprung back to life after Donald Trump's cowboy threats of retaliatory measures against Brussels.

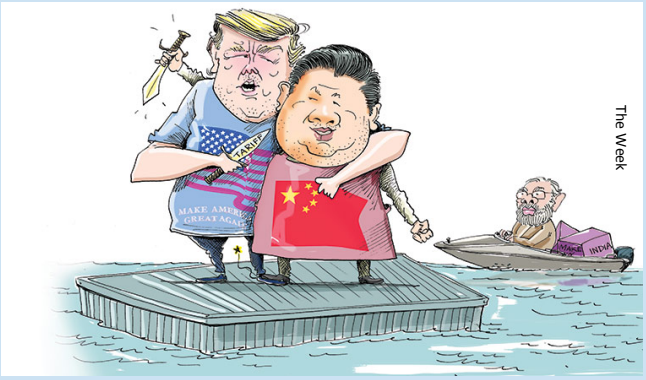
The alliance with the EU has also become important for the US, which is finding it difficult to make a significant dent in its trade war with China. *(Mint, 14.09.18)*

WTO Reform 'Urgent'

With the US President Donald Trump readying tariffs on another US$200bn in Chinese goods, trade and investment ministers from G20 countries said there was an 'urgent need' to improve the World Trade Organisation (WTO).

According to the statement issued at the summit, the ministers said they were 'stepping up the dialogue' on international trade disputes but did not provide details of possible WTO reforms or how dialogue on trade was being increased.

German Deputy Economy Minister Oliver Wittke said the joint declaration sent a powerful signal about the importance of strengthening WTO "especially in times of 'America first' and increasing global protectionism" with next steps to follow when G20 leaders meet in Argentina at the end of November 2018. *(IE, 15.09.18)*



Trade Rules Need to Change

The Trump administration has blamed China for engaging in economic aggression and declared trade war in response and the tone is softer in Europe but the concern is shared.

But when the US and Europe complain that China is infringing "global norms and rules", they forget their own economic history. China's policies are not so different from those that they too embraced while catching up with technological leaders of the time.

The WTO has been predicated on the idea that economic practices in different nations would eventually converge. This has not happened, as China's example amply indicates.

More importantly, there is no good reason for national economic models to converge in the first place. World trade rules need to change, regardless of what China does, to accommodate economic diversity. *(FT, 06.08.18)*

US Refuses to Join Russia

Signalling its unwillingness to be flexible on its decision to impose penal import duties on aluminium and steel from countries such as India, Russia and China, the US has rejected India's request to be an interested party in the dispute filed by Russia against US' move at the WTO.

US' continued hard posture on its decision to impose additional duties on aluminium and steel unilaterally on a handful of countries do not augur well for the bilateral talks India is having with the US to try to persuade it to do away with the duties.

In response to the unilateral measure, India notified retaliatory duties worth US$230mn on US imports of 29 items including almonds, apples and certain steel products, but put off its implementation to give some time to the US to sort out the matter. *(BL, 09.09.18)*

Mercosur-EU Deal after 20 Years

After 20 years of talks, the two sides have agreed on 12 of the 15 chapters in the accord, but several thorny agricultural issues remain. These include quotas on meat and sugar exports to the EU from Mercosur, the South American trading bloc whose full members are Argentina, Paraguay and Uruguay as well as Brazil.

Brazil is set for elections with the far-right and left leading in early polls, and European Parliament elections are due in 2019 against a background of rising populism in the bloc.

Therefore, Aloysio Nunes, Brazil's Foreign Minister has warned that Mercosur and the EU must close a long-awaited trade accord before it faces the risk of being derailed by elections on both continents.

Argentina and Brazil, the two main Mercosur powers, are keen to conclude talks and clinch a rare piece of good news for their crisis-hit economies. *(FT, 05.09.18)*

Resolving Solar Duty Issue

Malaysia has sought WTO consultations with India on safeguard duties — a penal duty imposed to check steep increase in imports of an item. India had imposed safeguard duties on solar cells imported from that country and also from China.

Malaysia may have initiated the WTO consultation with India as its exports of solar cells to India are much lower than China's exports which contribute to more than 85 per cent of the country's total imports of the item.

However, according to calculations made by India, Malaysia does not qualify for an exemption as its exports contribute to more than three per cent of India's total imports. *(BL, 14.09.18)*

Warning of 'New Colonialism'

Malaysia's Prime Minister has warned against 'a new version of colonialism,' in a pointed expression of Asian unease about China's increasing economic and political influence in the region.

On a four-day state visit to China, Mahathir Mohamad embarked on the delicate task of renegotiating US$23bn in rail and pipeline deals agreed by Najib Razak, his predecessor, while trying to secure new trade and investment flows to present to voters back home.

A flurry of diplomacy ahead of Mahathir's state visit hinged on how to resolve the tensions around the infrastructure projects, which were signed as part of China's signature Belt and Road Initiative but have left Malaysia with a growing debt burden. *(FT, 21.08.18)*

US-Mexico Reach NAFTA Deal

The US and Mexico have reached an agreement to revise key portions of the 24-year-old North American Free Trade Agreement (NAFTA), a crucial step toward revamping a trade pact that has appeared on the brink of collapse during the past year of negotiations.

The agreement with Mexico gives Trump a significant win in a trade war he has started with countries around the globe but it falls far short of actually revising NAFTA. The preliminary agreement still excludes Canada, which has been absent from talk held in US in recent weeks.

Adam Austen, a spokesman for Canadian Foreign Minister Chrystia Freeland, said that Canada is encouraged by progress between Mexico and the US but that "we will only sign a new NAFTA that is good for Canada and good for the middle class." *(ToI, 28.08.18)*

China Hits US with Tariffs

China hit back at the US with tariffs on US$60bn worth of American goods after President Trump slapped 10 per cent tariffs on US$200bn worth of Chinese imports. He alleged that China had been unwilling to change its unfair trade practices and the new additional tariff structure would give fair and reciprocal treatment to American firms.

Earlier, China threatened to retaliate with 'synchronised counter measures' against Trump's third round of tariffs, saying the US move will add 'new uncertainties' for future talks between the world's top two economies.

Trump also warned China against any retaliation, saying if China retaliated this time, the US would impose further tariffs on another US$267bn worth of products virtually covering almost all Chinese exports to the US totalling about US$522.9bn.

(BL, 18.09.18)

China's New Currency Policy

China's central bank altered how it manages the country's currency, signaling that authorities have no intention of using the yuan as a weapon in the ongoing trade war with the US.

The Yuan has come under intense pressure in recent weeks on concerns about the outlook for the Chinese economy, the world's second largest, in part resulting from the ongoing tariff conflict with the US.

The People's Bank of China appeared to respond to that pressure, announcing that it was reintroducing a calculation method it called a 'counter-cyclical factor' to keep the yuan's daily midpoint fixed to a relatively stable value.

(CNBC, 27.08.18)

India-South Korea Relationship

South Korean President Moon Jae, who was on his first visit to India since being elected President in 2017, said he was committed to raising South Korea's relations with India to the level of those with China, Japan, Russia and the US, as he sought to expand cooperation in areas such as shipbuilding, aerospace, manufacture of medical devices and food processing.

He described opportunities between two countries as

'boundless' in a speech to Indian and South Korean businessmen just hours before inaugurating an expansion of Samsung Electronics' cellphone manufacturing unit in Uttar Pradesh jointly with Prime Minister Narendra Modi.

The South Korean President noted India's plans to make smart cities and industrial corridors in the country and said his country wanted to participate in these projects given its experience in building such cities back home.

(Mint, 09.07.18)

Myanmar to Trim Chinese Loans

Chinese Belt and Road Initiative (BRI) has run into a hurdle in Myanmar, with the host government reducing the scope of China's loans for the Kyaukpyu Port in Rakhine state, fearing a debt trap.

Myanmar's officials said that the government wants to avoid any debt trap by accepting huge loans from China that comes with a high interest rate. The Chinese Foreign Ministry though has claimed that negotiations are still on.

The Myanmar government will not provide sovereign guarantees for any loans to the project and the government will require a third-party independent audit on project spending.

It is not just the Myanmar government that had red flagged China's economic strategy, the German government too has issued warnings about China's acquisition efforts and has encouraged European companies to join forces to take on competition from China. *(ET, 01.08.18)*

'Low Status' Jobs in Saudi

Saudis are increasingly taking on 'low status' jobs in a new age of austerity when gas is no longer cheaper than water, with the government trimming oil-funded subsidies and tackling sluggish economic growth and high unemployment.

The social stigma surrounding certain types of manual or service-based labour has been strong, but economic necessity is pushing many to take such jobs regardless of their social status.

Nearly two-thirds of all Saudis are employed by the government, and the public sector wage bill and allowances account for roughly half of all government expenditure.

Official statistics show nearly 800,000 foreign workers have left the kingdom since the beginning of 2017, creating what business owners call a 'hiring crisis.' *(DNA, 02.08.18)*

TCS Sued for IP Infringement

US-based Simonelli Innovation LLC has sued Tata Consultancy Services Ltd (TCS) in a Texas court, alleging India's largest information technology (IT) outsourcing firm wrongfully used its intellectual property (IP) and trade secrets to build its own consulting practice.

According to the latest lawsuit, Simonelli and TAIC formed a partnership on 11 June 2014 to co-develop a "prototype factory and co-innovation model" to let TCS provide prototyping services to clients.

"Through the intentional and deceitful conduct," the lawsuit said, "the defendants breached the covenant of good faith and fair dealing implied in the TCS America Agreement and denied Simonelli benefits due to Simonelli under the agreement.

Defendants' conduct violated the spirit of the 'Alliance Agreement', and deprived Simonelli of the fruits of that contract." *(Mint, 02.08.18)*

China Using BRI for Spying

Chinese cyber espionage linked to the Belt and Road Initiative (BRI) is increasing, with experts warning that China is using the huge infrastructure project to spy on companies and countries as well as to damp down dissent.

The country is alleged to have targeted Belarus, the Maldives, Cambodia, European foreign ministries and non-governmental organisations, according to the report by US cyber security company FireEye.

FireEye alleged that a Chinese hacker group called TEMP.Toucan had already tried to breach Malaysian public and private organisations. "They appear to be interested in countries where there is a lot of money at stake for them or where policies are being created that would affect future projects," said Sandra Joyce, Vice-president of FireEye. *(FT, 16.08.18)*

Global Waste Burden to Rise

The world today generates more than 2 billion tonnes of trash which, over the next three decades, is expected to grow 1.7 times. Managing this waste pile is an activity as important as other welfare services, and has to be funded.

A World Bank report shows how waste generation varies across income levels. Among the major countries daily per capita waste generation is highest in US. India tops in total solid waste generation; more than 55 per cent are food and green waste.

Solid waste disposal sites have been making headlines of late — Gazipur in Delhi, Mulund and Deonar in Mumbai, Belahalli in Bengaluru. It is expected that by 2050 in a business global waste generation will rise up to 70 per cent. *(ET, 24.09.18)*

Bitcoin Boom

Many cryptocurrency investors are now in the red, with holdings worth less than the money they put in. The damage from the big price drops in virtual currencies is likely to be particularly bad in places like South Korea, where ordinary investors jumped in with abandon.

But by many metrics, more people put money into virtual currencies last fall and winter than in all of the preceding nine or so years. Coinbase, the largest cryptocurrency brokerage in the US, doubled its number of customers between October and March.

The start-up Square began allowing the users of its mobile app, Square Cash, to buy Bitcoin in November 2017. *(NYT, 21.08.18)*

Commodity Prices Suffer

The sell-off in emerging markets has spilled into commodities, hitting prices of key resources from copper to oil. Traders say the worry is that lower economic growth in emerging markets, including Turkey, Brazil, Argentina and India, could quickly cool demand for commodity-intensive exports from China, the world's biggest user of raw materials.

However, prices are likely to depend on whether China's government will stimulate its economy, the world's second largest, to counter a slowdown — especially if the brewing trade war with the US escalates.

Still, some investors are more optimistic that China will further loosen access to credit and prop up its currency and economy. They note that the country's vast property and construction markets remain healthy. *(FT, 21.08.18)*

World's Largest Trade Surplus

Germany is on course to have the world's largest current account surplus for the third year in a row — a situation likely to put more international pressure on Berlin to rebalance its economy.

The size of Germany's surplus partly reflects its highly competitive companies and years of wage restraint, while the Eurozone's largest economy has also benefited from a relatively weak single currency.


The Local Germany

The IMF and the EC have also criticised Germany over the scale of its surplus, saying Berlin to spend more in areas such as infrastructure and education.

However, with unemployment at its lowest level since German reunification in 1991 wages have started to increase at a faster pace. The latest figures for German growth also suggested the economy is beginning to rebalance. *(FT, 30.08.18)*

Bumper for Coffee Growers

Vietnam's robusta coffee growers are anticipating a bumper crop this season. Coffee farmers and traders in Dak Lak, the biggest coffee-producing province in Vietnam's central highlands region, said favourable weather in 2018 and a replanting programme would boost the industry's output of the crop.

The US Department of Agriculture recently estimated that Vietnam's coffee production in 2018-19 would reach a record 29.9 million bags, a two per cent increase on 2017-18.

However, they were worried that another record season would depress the prices they could command at a time when other coffee-producing countries were also reporting higher output, which was accelerating their own push into more profitable crops. *(FT, 22.08.18)*

Tackling Labour Shortage

Germany is suffering from an increasingly common problem: too much work and not enough workers. A new immigration law aimed at attracting more skilled labour to Germany is in the works, and government officials hope to table formal legislation before the end of 2018.

As a recent government paper outlining the planned law points out, "the lack of qualified labour has emerged as a significant risk for the German economy. According to official data, there are more than 1.2m vacancies across the German economy.

Even accounting for regional mis-matches and untapped potential, such as the long-term unemployed, the IW believes there are about 440,000 positions that cannot be filled by workers based in Germany. *(NYT, 21.08.18)*

BRICS and Multilateral Trade

Leaders of the five BRICS nations — Brazil, Russia, India, China and South Africa —exhorted countries to abide by the rules and commitments of the multilateral trading system under the World Trade Organisation (WTO) in the wake of unilateral tariff hikes imposed by US President Donald Trump, which has kick-started a trade war.

In their joint declaration at the 10th BRICS Summit at Johannesburg, leaders of the five countries said the multilateral trading system is facing 'unprecedented challenges' and urged countries to keep the world economy open so that the benefits of globalisation can be shared by all countries and people.

The IMF has estimated the on-going trade war could cost the world US$430bn by 2020. *(Mint, 27.07.18)*

Rich to Reduce Farm Subsidies

Hitting back at WTO members that have questioned India's Minimum Support Price (MSP) programme for food, including the US and the EU, India has teamed up with China to formulate a step-by-step proposal for rich members to eliminate their farm subsidies where the WTO has allowed them higher amounts beyond the minimum (ceiling) levels.

In a joint proposal to the WTO submitted recently, the two countries have said that the reduction process should begin as early as 2019 to remove the asymmetry in the WTO's agreement on agriculture and remove distortions in world trade.

In the proposal, it has been said that any meaningful attempt at reforms in agriculture subsidies must address the asymmetry between the developed members on the one hand and most of the developing members on the other hand in their respective entitlements to aggregate measurement of support beyond *de minimis* and the flexibility to provide high product-specific support. *(BL, 27.06.18)*

G20 Exposes Schism in Trade

The schism in global trade relations was laid bare at a meeting of G20 finance ministers and central bank governors in Argentina, who warned that increasing trade tensions risk undermining the global economy.

Bruno Le Maire, the French Finance Minister, said the EU would not negotiate trade with the US referring to the more aggressive trade stance taken by the Trump administration, including imposing tariffs on European steel and aluminium.

Steven Mnuchin, the US Treasury Secretary, made clear his willingness to sign free-trade deals, while insisting that European retaliatory tariffs on specific products such as Bourbon whiskey and Harley-Davidson motorcycles were not hurting the US economy.

There was no progress in the G20 towards defusing tensions even though members agreed a communiqué that spoke of the 'need to step up dialogue and actions to mitigate risks and enhance confidence' in relation to trade. *(FT, 23.07.18)*

China Defends 'New Silk Road'

Chinese officials defended its initiative to build a 'New Silk Road' of railways and other infrastructure across Asia against complaints it leaves host countries with too much debt after Malaysia cancelled two high-profile projects.

The officials said President Xi Jinping's signature foreign policy initiative is creating assets that are needed by developing countries but might take time to pay off. However, the Deputy Chairman of the Cabinet Planning Agency, Ning Jizhe has argued that there were foreign news reports that blamed the initiative for debt problems.

In reality people's livelihoods and economic development have been boosted. However, some governments including the US, Japan and India worry actually by building this road China is trying to develop a China-centered structure that will erode their influence. *(AP, 27.08.18)*

China to Scrap Two-Child Policy

China appears poised to scrap the limit on the number of children couples can have, with a state-run newspaper citing draft civil code that would end decades of controversial family planning policies.

The Procuratorate Daily said the code omits any reference to 'family planning' — the current policy which limits couples to having no more than two children.

Hindustan Times

The draft code would go to a vote at the rubber-stamp legislature, the National People's Congress, in 2020.The Communist Party began enforcing a one-child policy in 1979 to slow population growth. The limit was raised to two children in 2016 as the nation scrambled to rejuvenate its greying population of some 1.4 billion.

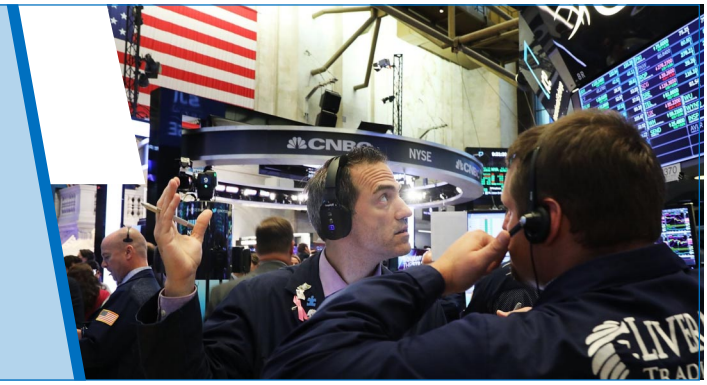
Other proposed changes include a one-month cooling off period before a divorce, during which either party can withdraw their application. *(TH, 27.08.18)*

ARTICLE

US Protectionism throws a Spanner into S&P Rebound

John Authers*

Risks of trade policy must be weighed against the boom in Corporate America.



Relentlessly positive round of earnings has finally allowed the US stock market to regain the ground it lost in the sudden and shocking recurrence of volatility in early February. Positive earnings have also at last brought clear empirical evidence of what the effects of the new US trade policy could be on corporate bottom lines. Reconciling the risks in trade policy with the continuing boom time for Corporate America that was awakened by last year's tax cut now promises to be the challenge for asset allocators for the foreseeable future.

It is hard to paint the past few months as anything other than a reasonably healthy correction Let us take them in turn. The February sell-off started with poorly received non-farm payroll data that showed what now appears to be a high rise in average hourly earnings. The concern was that there would be enough sign of inflationary pressure arising out of the 2017 fiscal stimulus to force a hawkish reaction from the Fed, and a sharp enough rise in real yields to dent stock market valuations.

Since then, the stock market has seen wide dispersion: 240 of the 500 stocks in the S&P 500 have risen. Valuations look far more reasonable, at least if we take the popular but limited comparison of price with forecast earnings. At about 17, this version of the p/e ratio is almost exactly at its average since 1990, according to Bloomberg data.

this does not show up in longer-term measures as yet. The cyclically adjusted earnings multiple, which compares prices to inflation-adjusted earnings for the past 10 years, looks very pricey at 32, but has at least descended from its extreme at the beginning of the year, when it exceeded its level from the eve of the Great Crash in 1929.

This adjustment has happened while the Fed has increased rates twice, with the market braced for two more rises in the Fed Funds rate this year. During this time bond yields have risen above 3 per cent — regarded as a frightening watershed back in February — and subsided again. On the critical level of long-term real yields, we are now almost exactly where we were in early February.

Pulling these strands together, it is hard to paint the past few months as anything other than a reasonably healthy correction. Recent earnings have provided unquestionable reason for optimism, with year-on-year growth on course to exceed 20 per cent again in the second quarter. This has been taken as an opportunity to bring down valuations from a stretched level, and to redeploy capital sensibly, with roughly equal numbers of winners and losers over the past six months.

Now, firstly we need to see whether these earnings continue to outstrip lofty expectations, and can rates stay tethered at levels that the stock market can tolerate or not . Next we need to know the effects of the new boldly nationalist US trade policy. It appears certain to ratchet up uncertainty and impede growth, which is a nasty cocktail for markets. The problem that trade policy presents is that it is so hard to model.

However, there is a lack of recent precedents, and there is also a need to make assumptions on the responses to any protectionist actions. Projecting the impact of trade policy is still as much about quite advanced game theory as it is about assessing impacts on corporate revenues and costs. This explains why the impact of trade hostility on US stocks has been slight so far (while the problems for the stock markets of particularly export-sensitive economies such as Germany show a belief that the US will probably be a relative victor). There are too many unknowns, so it is best to leave capital where it is.

But trade is beginning to have enough of a measurable impact. It can no longer be avoided. It is on trade policy that the chances of further advances from the peak that was made in January will now depend.

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* *Chief Markets Commentator and Associate Editor, Financial Times; excerpts from an article appeared in the Financial Times, on August 26, 2018*

Carbon Emission Proposals to Boost Trump's Drive to Revive Coal

Ed Crooks*

The US administration has drawn up proposals to replace Obama-era rules on carbon dioxide emissions with measures to support coal-fired power plants, as President Donald Trump seeks to fulfil his campaign pledge to "put our miners back to work".

Draft versions of proposed rules on carbon emissions from electricity generation, due to be announced, include measures that could push utilities to invest in coal-fired plants to make them more efficient and competitive.

Michelle Bloodworth, president of the American Coalition for Clean Coal Electricity, which represents coal-fired generators and mining companies, described the proposed rule as "a big step in the right direction" by the Environmental Protection Agency. She added that industry believed the regulations would "provide the flexibility to states to develop emissions guidelines that recognise the important role that our nation's coal fleet plays".

Trump will be holding a rally on Tuesday in West Virginia, a heartland of US coal mining, and the administration is expected to announce its plan to coincide with that event.

The Obama administration's regulations, known as the Clean Power Plan, have not yet come into effect, having been stayed by the Supreme Court in 2016, but were expected to accelerate the closures of coal-fired power plants.

It would be difficult for the administration simply to reject the Obama-era plan, because of the EPA's 2009 "endangerment finding", a technical conclusion that greenhouse gases "may reasonably be anticipated" to endanger public health and welfare, and so should be regulated under the 1970 Clean Air Act.

But the administration's strategy for meeting that requirement could help coal-fired plants, and could lead to higher greenhouse gas emissions.


The Financial Times

Release of plans coincides with rally in West Virginia heartland ahead of midterm elections

Joseph Goffman, who was one of the chief architects of the Clean Power Plan at the EPA and is now at Harvard Law School, said the Trump administration's approach was arguing that it had the authority only to regulate individual power plants, rather than looking at the electricity system overall.

The rules are expected to offer a menu of options for these regulations to each state, giving them ability to require coal-fired plants to become more efficient, so they have lower emissions for every megawatt hour they generate.

Conrad Schneider of the Clean Air Task Force, an environmental group, said the consequence could be that more efficient and competitive coal plants would run more often — displacing lower-emitting gas plants and as a result raising emissions overall.

He added that the plan was the latest in a series of attempts by the Trump administration to revive the US coal industry. "It's a carbon dioxide increase plan," he said. "They are willing to pervert the Clean Air Act to that end."

Environmental groups and others who support action to address the threat of climate change are expected to challenge the Trump administration's plans in court.

Reviving US coal mines, which have lost about 125,000 jobs since 1985, was one of the signature promises of Trump's campaign, but his administration has so far made only limited progress.

Coal-fired power generation has dropped by about a third since 2010, and is expected to decline again in 2019, under pressure from low-cost gas unlocked by the shale revolution and increasingly from renewable energy.

Employment in US coal mining has risen by 2,200 since the election, to reach 52,900 in July, but that was a result of buoyant exports, which rose 61 per cent in 2017.

Goffman said that, despite the administration's efforts, the importance of regulation for coal was likely to be overshadowed by the competition from gas. "The fact that natural gas is winning the economic argument will probably have a much greater effect on what carbon emissions turn out to be over the next ten years," he said.

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* *US Industry and Energy Editor, Financial Times; excerpts from an article papered in the Financial Times on August 22, 2018*

Trump's Hope on Coal Plan

Coal-fired power generation is likely to decline in the US over the next two decades, even after the Trump administration's attempt to ease the regulatory burden on the industry, according to official projections.

The estimates were published alongside the Environmental Protection Agency's new lighter-touch approach to dealing with carbon dioxide emissions from electricity generation. The EPA set out proposals for replacing the Obama administration's Clean Power Plan with a new approach known as the Affordable Clean Energy rule.

It abandons the limits for states' emissions that were set under the CPP, and focuses on improving the efficiency of individual coal-fired plants rather than looking at the electricity system as a whole.

(FT, 22.08.18)

Climate Targets Abandoned

Prime Minister Malcolm Turnbull of Australia abandoned plans for emission targets bowing to pressure from conservatives who considered toppling Turnbull's government over an energy policy that aimed to reduce prices and bring the country into line with international climate change commitments.

The Energy Policy Bill, known as the National Energy Guarantee, would not be introduced in the House of Representatives because there was not enough support.

Critics worry that there will be no move made to reduce Australia's vulnerability to climate change and its effects, from extreme drought to bleaching of the Great Barrier Reef. *(BL, 21.08.18)*

Stop Flushing Contact Lenses

A new study finds that contact lenses are often flushed into the sewer instead of placed in the trash or recycled.

The problem is substantial. Up to 20 per cent of wearers are not tossing their old lenses into waste containers, opting instead for disposal in sinks and toilets. But because lenses are made of such tough plastics, they do not break down fully when exposed to microbes.

Arizona State University's study found that after going through a sewage treatment plant, they become even smaller pieces, which can find their way into fish, birds or other animals. *(BL, 18.08.18)*

Reviving Paris Agreement

As the pace of global warming races ahead of efforts to tame it, diplomats from more than 190 nations begin crunch UN climate talks in Bangkok to breathe life into the Paris Agreement.

The year 2018 is the deadline to finalise the 'rule book' for the 2015 treaty, which calls for capping the rise in global temperatures at 'well below' 2^0 Celsius, and 1.5^0 Celsius if possible.

The pact also promises US$100bn annually from 2020 to poor nations already coping with floods, heat waves, rising seas and super storms made worse by climate change. *(DNA, 03.09.18)*

Years of Life Lost Due to Air Pollution

In a new study that has found that ambient air pollution shortens human lives by more than one year, India is placed fourth among 185 countries in terms of average years of life expectancy lost due to exposure to PM2.5. Bangladesh (1.87 years), Egypt (1.85) and Pakistan (1.56) have been found to be at higher risk than India (1.53 years).

The study also estimated that if PM2.5 in all countries met the World Health Organisation's guideline for air quality (10 microgrammes per cubic metre), then life expectancy could increase by 0.6 years.

In India, if PM2.5 levels were to be reduced from the current 74.1 microgrammes per cubic metre to 10, 15, 25 or 35 microgrammes/cu m, the study estimated that the potential increments in life expectancy would be between a year and about half a year. *(IE, 24.08.18)*


The Indian Express

Rising Climate Change Liability

In the US, the SEC requires firms that file annual reports to communicate material climate change risks. In April 2018, the European Parliament approved new rules that will require large listed firms to publish environment and social data in their reporting to investors.

But this falls far short of a comprehensive and coordinated disclosure regime for companies' overall exposure to carbon and climate risk.

Unfortunately, too many businesses still provide investors and other stakeholders only a partial picture of the risks they face. Business leaders should acknowledge that climate risk and carbon liabilities are here to stay and, in all probability, set to grow.

(FT, 07.09.18)

Poor Lag Behind Paris Pledge

When industrialised nations pledged in 2009 to mobilise US$100bn a year by 2020 to help the poorest countries deal with climate change, it won over some skeptics in the developing world who had argued that rich nations should pay up for contributing so much to the problem.

But the money has been slow to materialise, with only US$3.5bn actually committed out of US$10.3bn pledged to a prominent United Nations programme called the 'Green Climate Fund.'

The Green Climate Fund was designed to help developing countries prepare for climate disasters and develop low-fossil-fuel economies. President Trump's decision in 2017 to cancel US$2bn in promised aid did not help.

(BL, 10.09.18)

Earth to be Exceptionally Hot

Global warming triggered by anthropogenic activities and a natural surge in Earth's surface temperatures will make the next four years exceptionally hot, says a study by Florian Sevellec and Sybren Drijfhout.

The unusually hot weather will primarily be because of the natural variability of Earth's climate rather than global warming alone. Significantly, the scientists have been able to prove the PROCAST model's effectiveness by running a retrospective test on the 1998-2013 global warming hiatus, which it accurately predicted. *(BL, 17.08.18)*

Bitcoin Impact the Environment

A study published in Energy Research & Social Science warns that failure to lower the energy use by Bitcoin and similar Blockchain designs may prevent nations from reaching their climate change mitigation obligations under the Paris Agreement.

The study, authored by Jon Truby, Ph.D., Assistant Professor, Director of the Centre for Law & Development, College of Law, Qatar University, Doha, Qatar, evaluates options available to lawmakers to moderate blockchain-related energy.

Bitcoin's system has rising costs as the system reaches the ultimate resource limit and the mining of new resources requires increasing hardware resources, which consume huge amounts of electricity. *(DNA, 02.08.18)*

Carbon Price Won't Save the Planet

At least •50 a tonne is needed to stimulate the most crucial technologies that halt the flood of greenhouse gas (GHG) emissions into the atmosphere, according to analysts at the International Energy Agency and the private researcher Carbon Tracker. Those include carbon capture and storage, which siphons atmosphere-damaging pollutants from industrial smokestacks and sticks them underground permanently.

Carbon futures in the EU's Emissions Trading System moved past their highest point in a decade this week, surpassing •20 (US$23) a tonne. Although the five-fold leap in just over a year has resurrected the market, the price is still too low to do anything but give industry a nudge toward using cleaner fuels. *(DNA, 25.08.18)*


Bloomberg

China-India-Indonesia to Rule

Long-run economic scenarios for the world economy show that US GDP growth is expected to surpass that of China in 2040, according to the OECD. In 2037, the economies of India and the US are expected to switch order too, as the world's economic might shifts toward Asia.

By 2060, China and India's share of the global economy will be larger than that of all OECD countries combined. If one adds Indonesia, about half of the world's economy will be represented by the three Asian countries. The research analysis includes all 35 OECD member countries, eight non-OECD G20 members and three key economic partners.

The OECD report also notes that demographic changes will force 'governments to raise tax revenue by an average of 6.5 percentage points of GDP to meet health and pension needs while preventing government debt from rising.'

(BL, 18.08.18)

India to Attract Chinese Tourists

China is the biggest outbound market in the world. In 2017, around 144 million outbound tourists were from China out of which only 2.4 lakh visited India. During the visit to China, the focus would be on hard-selling India's heritage sites as the Chinese have also got ancient heritage and know how to appreciate it.

The Ministry was trying to attract more Buddhist tourists from round the world as India received just a small percentage of around 490 million Buddhists all over. While talking about the job growth in the sector, Union Minister KJ Alphons said that in the past four years the sector has produced 14.62 million jobs.

Recently, to boost tourism approval was given for the construction of water aerodromes; however, Kerala being a state surrounded by water was not included in the list. *(BL, 14.08.18)*

Japan to Raise Retirement Age

Workers in Japan are set to retire later than anywhere else in the world after Shinzo Abe, Japanese Prime Minister vowed to transform social security in the fast-ageing country.

He wanted to rise Japan's retirement age beyond 65, and allow people to defer their pension beyond 70. Japan's move to postpone retirement could set a precedent for other countries wrestling with the challenges of an ageing population.

Keeping people in the workforce will boost the economy and save money for Japan's cash-strapped social security system. Abe's comments suggest he wants to use the next three years to address the fiscal problems caused by Japan's rapid population ageing.

Abe vowed to go ahead with a rise in consumption tax from 8 to 10 per cent scheduled for the autumn of 2019, and push for accepting foreign guest workers to offset the declining population.

(FT, 05.09.18)

Battle to Stop 3D-printed Guns

US lawmakers are grappling with how to regulate 3D-printed guns and other home-made firearms, as cheap technology opens up a new battlefront in the country's war over gun control.

The legislative and legal efforts to deal with the issue have been given urgency by the case of Defense Distributed, a gun rights activism group that has promised to upload designs for making guns with 3D printers, but which is currently the subject of a temporary restraining order.

The group's founder, Cody Wilson, a 30-year-old Texan who calls himself a crypto and free-market anarchist, has been fighting for the right to post the blueprints for five years.

In the meantime, the White House said that President Donald Trump had not been involved in the justice department's decision to settle with Defense Distributed, and the president tweeted: "I am looking into 3-D Plastic Guns being sold to the public." *(FT, 14.08.18)*

Indian Workers in Gulf down

The number of emigration clearances granted to Indians headed to the Gulf for employment has halved to 3.7 lakh in 2017 from 7.6 lakh in 2015. The UAE emerged as the most preferred destination of Indian workers, with nearly 1.5 lakh emigration clearances.

The fall in jobs for expats is attributed to both, the Nitaqat scheme, aimed at promoting job opportunities for locals, which was tightened last September, and general economic conditions.

According to a recent World Bank report, India continued to be the top recipient of remittances from overseas, which added up to US$69bn in 2017, and roughly 56 per cent of it came from the Gulf Cooperation Council countries.

A favourable change in policy is likely to help the UAE remain the most preferred destination. The country has announced that by the end of 2018, it will issue residency visas to global investors or professionals for up to 10 years.

(ToI, 04.07.18)

Fall in Renewable Energy

Investment in renewable power declined in 2017 by its largest amount ever and is likely to keep falling in 2018, threatening global climate goals.

Capital spending in renewable power generation fell seven per cent in 2017 compared with the previous year, owing to declines in onshore wind and hydropower investment, according to a report from the International Energy Agency.

The world's leading energy watchdog reported that overall global energy investment dropped two per cent in the same period. The IEA's report shows that renewable power investment fell to US$298bn in 2017 from US$318bn in 2016, representing the biggest absolute drop since the agency started keeping track of clean power in 2000.

The IEA said energy companies had continued to prioritise cost control, financial discipline and returning cash to shareholders.

(FT, 18.07.18)

10% of North Koreans are Slaves

North Korea and Eritrea have the world's highest rates of enslaved people. And, while slavery is far more prevalent in the developing world, powerhouse economies in the developed world have surprisingly high rates of forced labour, according to the 2018 Global Slavery Index, published by the human rights group Walk Free Foundation.

The global survey focusses on the roles of conflict and government repression in modern slavery.

In addition to North Korea and Eritrea, the central African nation of Burundi also has a high prevalence of slavery. *(BL, 18.07.18)*

India to Drive Global Growth

India will be an engine of growth for the global economy for the next few decades and it could play the role China did for the world economy, the IMF said, even as it recommended that the country take steps towards more structural reforms.

"India now contributes, in purchasing power parity measures, 15 per cent of the growth in the global economy, which is substantial," said Ranil Salgado, IMF's Mission Chief for India. This is behind only China and the US, he said.

The IMF Executive Board has forecast India's growth to rise to 7.3 per cent in 2018-19 and 7.5 per cent in 2019-20, on strengthening investment and robust private consumption. Salgado said the IMF is now suggesting India take steps towards structural reforms.

(BL, 18.08.18)

Trump Pulls Economic Turnaround

President Donald Trump regularly and proudly takes credit for the US economy's strong performance. This conclusion will only be reinforced if Trump's current steps towards a trade war retard US economic performance, as is increasingly feared. A variety of observations are pertinent:

- First, history suggests that presidential popularity rises with declining unemployment.
- Second, such acceleration of growth as we have observed is well within the normal range of growth forecast errors.
- Third, it appears that growth has accelerated and exceeded expectations more outside the US than within the country.
- Fourth, market evidence calls into question the idea that the US has become a highly attractive place to invest because of Trump's policies.
- Fifth, the underlying reason why the US economy is strong right now is that it has been possible to run a very taut economy with unemployment below 4 per cent and not face significant inflationary pressures.
- Sixth, there is what Ben Bernanke, the former Federal Reserve chairman, has labelled the 'Wile E Coyote' issue, after the accident-prone cartoon character. *(FT, 07.08.18)*

Global Debt Hits a New Record

Global debt has hit another high, climbing to US$247tn in the first quarter of 2018, according to a report. Of that figure, the non-financial sector accounted for US$186tn. The debt-to-GDP ratio has exceeded 318 percent, marking its first quarterly rise in two years.

(BL, 16.07.18)

Solar Bank to Fund Power Projects

The International Solar Alliance (ISA) plans to approach multilateral development banks (MDBs) such as Asian Infrastructure Investment Bank (AIIB) to create a special purpose vehicle (SPV) to specifically finance solar projects.

ISA also plans to leverage AIIB's reach to build a global solar energy ecosystem. According to the contours of the initial plan, five common member countries between ISA and AIIB will be identified for financing more solar projects by the China-headquartered bank.

ISA also plans to draw up a two-year play book for training manpower, thereby creating local employment in countries where AIIB has financed solar projects. India has sought project financing totalling US$2.40bn from the AIIB. The Bank will also invest US$200mn in the National Investment and Infrastructure Fund of India. *(Mint, 25.06.18)*

ARTICLE

Average Sea Levels May Rise by up to 30 Feet on Global Warming

Srishti Choudhary*

Average sea levels may rise by up to 30 feet around the world if humans continue to burn fossil and fuels causing temperatures to breach the threshold of 2 degrees Celsius above pre-industrial levels in the next few thousand years, says new research.

The Paris Agreement requires countries to limit their carbon emissions to keep the overall warming of Earth to 1.5 degrees Celsius above pre-industrial levels.

Demonstrating the co-relation between the cumulative carbon emissions and future sea-levels over time, the new study published in Nature Climate Change also raises concerns over the impending economic losses in the world's largest coastal cities due to coastal flooding.

"The sea level rise we have seen thus far is just the tip of a very large iceberg. The big question is whether we can stabilise the system and find new energy sources. If not, we are on the way to a slow-motion catastrophe," said co-author of the study Alan Mix from Oregon State University.

Researchers highlight that at present, over 10 billion tonnes of carbon is being emitted globally, which would mean that the 2-degree threshold would probably be reached within next 60 years.

According to oceanographers, among South-Asian countries, Bangladesh is most-vulnerable, but India with its vast coastline of nearly 7,516 km on the east and west also needs to be proactive, considering the vast numbers of people who are dependent on the oceans for their livelihood.

According to studies conducted, the sea-level is rising at an average rate of 1.6-1.7 mm per

Scientists and researchers have prepared a vulnerability index of the entire coast of India, which not only covers threats due to sea level rise but also Tsunamis.

"Rising sea levels have not really alarmed people yet because their response time is much longer than temperature. Smart countries will use that to their advantage and begin adaptation strategies over time," said Peter Clark, lead author from Oregon State University, emphasising the need to consider the rise in sea levels as important factor while making future policy decisions on limiting carbon emissions.

"The sea levels are the highest ever globally. Though it is expected to rise by less than a metre by the end of this century, but even that is crucial, especially for India where places like Mumbai, could face consequences as happened in 2005," said S W A Naqvi, former Director, National Institute of Oceanography (NIO), Goa.

However, Naqvi highlights that the climate change will not just lead to rise in sea-levels, but is set to affect storminess in the seas, which is a significant concern. "Most importantly, it is not just the rise in sea levels, but when coupled with storm surges, rising tides which can cause maximum damage in terms of inundation of low-lying areas. There are areas which are not very high above the sea level, which are at maximum risk," he said.

The sea level along India's long coastline of nearly 7,516km is rising at an average 1.6-1.7 mm a year, show studies

Researchers point to the urgent need to prepare the coastal cities for the looming threat, especially considering the important role they play in powering the country's economy. According to researchers, global economic losses from flooding in 2005 in the world's largest coastal cities had reached US$6bn, which is estimated to grow to US$1tn by 2050.

Scientists are also concerned about the fact that the Indian ocean is warming up faster than other oceans. The increased heat content can fuel stronger storms along the coasts, which could be drastic and more areas can face the risk of inundation. Higher waves could occur more frequently.

"Keeping sea level rise to 3-9 meters or roughly 10 to 30 feet over several thousand years is likely too optimistic unless society finds ways to quickly reach zero emissions and lower the CO_2 in the atmosphere," says the research paper published in Nature Climate Change.

"We now know how much more carbon we can emit to keep below a certain temperature. One way to begin looking at it from a policy standpoint is to ask the question, 'how much sea level rise can we tolerate?'" Clark said.

* *Journalist, Mint; excerpts from an article that appeared in the Mint on July 18, 2018*

ReguLetter

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Don't Strangle Indian e-Commerce

E-commerce in India is facing huge buoyancy, both in terms of the market and policy space. In terms of the market, the majority investment in Flipkart by US retail giant Walmart, and a substantial proposed investment by Alibaba in Reliance Retail recently made news. Some pundits say that some of these moves may result in market distortions. Apparently, vested interests are muddying the waters.

On the other hand, the government has prepared a draft National Policy Framework on e-Commerce in India which has captured myriad views from different stakeholders, from which a sensible policy framework needs to be carved out.

The process was very good in that a large number of views were taken on board, but they are yet to be distilled.

Globally, the retail e-commerce sector has been growing. It needs to expand in India as well, without threatening the livelihoods of millions of small businesses. Growth in e-commerce can boost local manufacturing and catalyse 'Make in India.'

Why did the Department of Commerce deal with it? It had to do so because this is an issue which is being debated at the WTO. It is a matter of trade, and therefore, of DoC's work.

Foreign vs. domestic investors is another issue. Pitting the two against each other is a weak argument as our policy should be to keep the market open to investment from any source, subject to some sectoral restrictions. Concerns have been raised that large foreign companies can dominate the market through predatory and anti-competitive practices in their procurement from small businesses and farmers.

To deal with both these issues, we have the Competition Act. Besides, the state can also be a party in lodging a case at the Competition Commission of India if it comes across any violation. Most importantly, what makes anyone think that large domestic firms would not or do not indulge in such distortionary practices?

The third issue is RuPay versus other payment modes. The government should not promote a branded good owned by banks when there are competitors in the market. After all, the government, thankfully, does not promote MTNL or BSNL.

Data localisation is the fourth issue. The draft framework mandates that data generated by IoT devices, social media, e-commerce, cloud computing platforms, search engines, social media, etc., are required to be stored in India. This will neither benefit the government nor consumers of data. The government's objectives of accessing data for law enforcement purposes can be met without restricting the free flow of data.

There is also the issue of competition regulator. Any anti-consumer practice can be dealt with under the new Consumer Protection Act and the Central Consumer Protection Authority to be established under it. This authority can also deal with collateral issues.

Let us proceed without fear or favour. New laws to protect people are sometimes necessary — but let us not strangle e-commerce with them.

Inside this Issue

Special Articles

CUTS Centre for Competition, Investment & Economic Regulation

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The July-September 2018 issue of ReguLetter carries cover story entitled, 'Don't Strangle Indian e-Commerce' which states that e-commerce in India is facing huge buoyancy, both in terms of the market and policy space. In terms of the market, the majority investment in Flipkart by US retail giant Walmart, and a substantial proposed investment by Alibaba in Reliance Retail recently made news. Some pundits say that some of these moves may result in market distortions. Apparently, vested interests are muddying the waters.

A special feature by Tom Struble opines that the EU's attack on Google is the latest salvo in an escalating war.

Another article by Lawrence H Summers states that a backlash against the current paradigm of global integration is reshaping economic policy in a way that may plague us for years.

This newsletter can be accessed at: www.cuts-ccier.org/reguletter.htm

Global Investment Trends Monitor

- Global foreign direct investment (FDI) fell by 41 per cent in the first half of 2018, to an estimated US$470bn, from US$794bn in the same period in 2017.
- The decline in FDI flows is in contrast with trends in cross-border merger and acquisitions (M&As) and announced greenfield investments. M&A sales remained flat in the first half of 2018 at US$371. Announced greenfield projects – an indicator of future trends – recovered to US$454bn, an increase of 42 percent, from relatively low levels in the same period in 2017.
- The decline was largely concentrated in developed countries where FDI inflows fell sharply, by 69 percent to an estimated US$135bn. The greenfield investment recovery largely passed over the developed countries, where the increase was less than 5 percent.
- FDI also declined across all developing regions, but only slightly, to an estimated US$310bn in the first half of the year, 4 percent lower than in the first half of 2017. The share of developing economies in global FDI reached 66 percent, a record.

The FDI trends for the first half of 2018 risk bringing global investment down to its lowest level for more than a decade, driven more by policy factors than by the economic cycle. How to build and maintain a global policy climate that is conducive to investment in sustainable development will be discussed by policymakers from around the world at World Investment Forum in Geneva, during October 22-26, 2018.

We want to hear from you...

Please e-mail your comments and suggestions to **citee@cuts.org**

We put a lot of time and effort in taking out this newsletter and it would mean a lot to us if we could know how far this effort is paying off in terms of utility to the readers. Please take a few seconds and suggest ways for improvement on:

- Content
- Number of pages devoted to news stories
- Usefulness as an information base
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SOURCES: AP: Associated Press; BL: The Hindu Business Line; DNA: Daily News and Analysis; ET: Economic Times; FT: The Financial Times; IE: Indian Express; NYP: New York Post; TH: The Hindu; ToI: Times of India

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