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# The End of Davos Man

## *West-led globalisation has reached its limits, new champions for it are needed*

President Donald Trump's initial policy pronouncements on migration and his increasingly evident determination for creating jobs in America itself are new markers in this post-globalisation era. They end an epoch that began 25 years ago today, when the Maastricht Treaty was signed, creating the European Union. Three years later WTO was inaugurated. By the turn of the century, Project Globalisation had gained unstoppable momentum courtesy the internet.

The vocabulary and ethic of globalisation was written in the liberal democracies of the West. There were some foundational assumptions: that as economies opened to trade, incomes would rise, consumer tastes would converge, and so would values and beliefs. The Davos Man (or Woman), as it were, would become the universal exemplar or at least aspiration. This made a whole generation of politicians, scholars, trade economists and stand-up commentators from the West robust evangelists for globalisation.

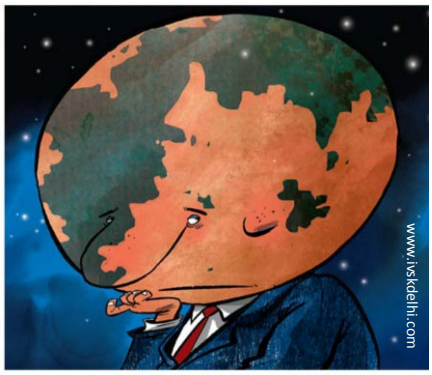
As is now obvious after Brexit, the revolt among European nationalities and the Trump mandate – several of those suppositions were flimsy. Heady narratives enhanced the allure of globalisation and allowed for papering over many such discrepancies. They also obscured domestic tensions within societies and communities: between coastal and heartland America or rich northern Europe and depressed southern Europe. Absent its economic deliverables, it is no longer able to stave off the challenge from societal tensions, political ghosts, institutional gaps and stakeholder inequities.

Having said that, India's economic transformation, China's merger with the global political mainstream and Africa's promise as the final frontier all require the liberal trading order to retain its essential vibrancy and osmosis. This is not necessarily due to any ideological belief in the inevitable universalisation of liberal values, but simply because of utilitarian benefits: market access, capital and technology needs. As such, the Indian state and Indian enterprise can live with, indeed embrace, the pressing reality of transactional capitalism.

The quest to reimagine the ethic and vocabulary of globalisation is not India's alone. In January, President Xi Jinping donned the mantle of benefactor of the World Economic Forum in Davos and made a case for free trade (and China's unfettered access to Western markets). On the same day, Prime Minister Narendra Modi opened the Raisina Dialogue in New Delhi by stating baldly: "Globally connected societies, digital opportunities, technology shifts, knowledge boom and innovation are leading the march of humanity … But walls within nations, a sentiment against trade and migration, and rising parochial and protectionist attitudes across the globe are also in stark evidence. The result: globalisation gains are at risk and economic gains are no longer easy to come by."

The globalisation narrative is being reimagined by the leaders of both China and India. This has economic implications, but comes with political baggage too – for only one of these narratives is rooted in liberal democratic values. It is for India to promote its narrative, as much as for the West – even the transactional West – to make its choices.

*Excerpts from an article by Samir Saran, Vice President and Ashok Malik, Distinguished Fellow at the Observer Research Foundation published in the Times of India on February 07, 2017*




## Articles



## Highlights

# The WTO Reborn?

**Arvind Subramanian***

For too long, the World Trade Organisation (WTO) has languished, to lift a reference from TS Eliot, by the 'waters of Leman' (Lake Geneva). Once the world's preeminent multilateral trade forum, the WTO has been steadily marginalised in recent years, and recent rebukes of globalisation, such as the UK's Brexit vote and the election of Donald Trump as US President, suggest that this trend will accelerate. But these outcomes may actually have the opposite effect, owing to three key developments that could enable the revival of the WTO — and of the multilateralism that it embodies.

The first development is the decline of alternative trade arrangements. The WTO reached its peak in the early 2000s, a few years after the Uruguay Round of global trade negotiations concluded, and a time when more countries — most notably China — were acceding to the organisation.

But major trade players like the US and the EU subsequently shifted their focus from multilateral trade agreements to bilateral, regional and mega-regional deals. The mega-regionals — namely, the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP) — posed a particularly grave threat to the WTO. Yet those are precisely the deals that the Trump administration is rejecting, or at least postponing.

After Brexit, the WTO will probably become an important forum for Britain's trade relations with the world. Any further disintegration of the EU will only bolster that trend.

Of course, it is possible that regional trade agreements in Asia and elsewhere will continue to flourish. But new leadership would have to emerge. And no single systemically important country today meets the rigorous requirements of such leadership: Internal political stability, economic dynamism, relatively contained risk and a steadfast commitment to open markets.

*The world needs a robust response to the decline of hyper-globalisation*

The Times of India

However counterintuitive that may sound, a second development that bodes well for the WTO's revival is voters' increasing rejection of hyper-globalisation. Hyper-globalisation is essentially 'deep' integration. It goes beyond creating open markets for goods and services to include increased immigration (in the US and Europe), harmonising regulations (the ambition of the TPP and the TTIP), and intrusive adjudication of domestic policies (the investor-settlement procedures under NAFTA and the TPP). In the EU's case, it even entails a common currency. For such integration, regionalism is much more effective than the WTO.

Now that 'deep' is out, the WTO could once again become an attractive forum for trading countries to do business. Make no mistake: There will still be a lot of globalisation for the WTO to facilitate and manage, not least because of the inexorable march of technology. The mesh-like structure of trade and investment connecting countries, embodied in global value-chains — what Aaditya Mattoo of the World Bank and I have called 'criss-crossing globalisation' — will prevent significant backsliding.

The third development that could reinvigorate the WTO is a more protectionist stance by the Trump administration. If the US raises tariffs or implements a border-adjustment tax favoring exports and penalysing imports, its trade partners are likely to turn to the WTO for adjudication, given the organisation's demonstrated dispute-settlement capability.

The WTO could, therefore, become the place where US trade policies are scrutinized and kept in check. The universality of WTO membership, previously seen as an impediment to countries eager to move ahead with new rules and agreements, could be its main strength, as it implies a high degree of legitimacy, which is essential to minimise trade tensions and the risk of conflict.

But the WTO's revival will not happen automatically. Willing stakeholders must actively pursue it. The most obvious candidates for the job are the mid-size economies that have been the greatest beneficiary of globalisation, and that, unlike the US and some European countries, are not currently under pressure from a globalisation-averse public.

The champions of multilateralism should include Australia, Brazil, India, Indonesia, Mexico, New Zealand, South Africa, the UK, and possibly China and Japan. Because none of them is large (with the exception of China), they must work collectively to defend open markets.

Moreover, they must open their own markets not only in the traditional areas of agriculture and manufacturing, but also in new areas such as services, investments and standards. In doing so, these countries would also be responding to the increasingly transactional approach to sustaining openness that the larger traders are being compelled to adopt.

Multilateralism, championed by mid-size trading economies with a strong interest in preserving openness, may be it. To the shores of Leman they must now head.

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* *Chief Economic Adviser to the Government of India*
*Excerpts from an article appeared in the Times of India on February 07, 2017*

**China-Japan Push for Asia Trade Deal**

China is pushing for a rapid conclusion to the Regional Comprehensive Economic Partnership (RCEP), with a 'low-quality' deal mainly focused on lowering tariffs between the Association of Southeast Asian Nations (ASEAN) and its neighbours.

But officials in Japan and ASEAN insist RCEP should not be Chinese-led. China wants to cast itself as a defender of global free trade for political reasons, they say, after the US quit another huge deal, the Trans-Pacific Partnership.

Japan and Canberra want a high-quality RCEP deal covering services and investment — half hoping this will bring the US back to the TPP table.

*(FT, 14.03.17)*

**US Border Tax Hits Asia's Growth**

A border tax in the US could upend the export-based economic model that has brought prosperity to millions of people in Asia, say, analysts, as the region wakes up to reforms proposed by Republicans in Congress.

The ample availability of competent and cheap workforce has made India the global 'outsourcing destination of choice' in various sectors. However, with right winged nationalist ideologies gaining prominence globally, this could come under some serious threat.

The Republicans in the House of Representatives with the backing of President-elect Donald Trump; have proposed changes to the US corporate tax code which could mark one of the most important shifts in US tax international trade policy in a generation and an underappreciated threat to Indian exports.

*(FT, 16.01.17 & 14.01.17)*

**US-Japan Bilateral Trade Deal**

The Trump administration is putting a bilateral trade deal with Japan high on its economic agenda with a visit to the US in February by Shinzo Abe, the Japanese Prime Minister, set include talks on how best to pursue such a pact.

Japan and the US have agreed to start new talks on trade and investment, adding to speculation over a bilateral trade deal between the two security allies.

The new administration has told business leaders that striking a deal with Japan is high on its list of priorities and has made clear it is aware of the domestic political capital that Abe invested in the TPP.

The partnership, which helped up for more than a year by bilateral negotiations between Japan and the US, its two biggest member economies, also provides a clear framework for the new administration to work from.

*(FT, 03.02.17)*

**Trump Suggest Ignoring WTO**

The Trump administration announced a sharp break from US trade policy, vowing it may ignore certain rulings by the WTO if those decisions infringe on US sovereignty.

The new trade approach, which was sent to Congress, could affect businesses and consumers worldwide, with the White House suggesting the US could unilaterally impose tariffs against countries it thinks have unfair trade practices — paving the way for a more adversarial relationship with China and other trading partners — and punish companies that relocate overseas and then attempt to sell products on the US market.

Trump's threatened tariffs and other trade barriers could violate WTO rules and bring blowback from other countries in the trade organisation. But the agenda signals the Trump administration could simply ignore those complaints. *(WP, 01.03.17)*

**G20 Fail to Reach Trade Deal**

The world's financial leaders failed to reach a compromise deal to endorse free trade, backtracking on past commitments to keep trade open and reject protectionism, the communique of G20 finance ministers and central bankers showed.

Making only a token reference for the need to strengthen the contribution of trade to the economy, finance ministers and central bank chiefs of the world's top 20 economies broke with a decade-old tradition of rejecting protectionism and endorsing open trade. *(ToI, 18.03.17)*

# Revoking Trade Deals Won't Help American Middle Class

The advent of global supply chains has changed production patterns in the US. Trade agreements have been central to American politics for some years. The idea that renegotiating trade agreements will "make America great again" by substantially increasing job creation and economic growth swept Donald Trump into office.


As Senator Daniel Patrick Moynihan once observed, participants in the political debate are entitled to their own opinions but not their own facts. The reality is that the impact of trade and globalisation on wages is debatable and could be substantial. But the idea that the US trade agreements of the past generation have impoverished to any significant extent is absurd.

The irrelevance of trade agreements to import competition becomes obvious when one listens to the main arguments against trade agreements. They rarely, if ever, take the form of saying we are inappropriately taking down US trade barriers.

*(FT, 06.02.17)*

### WTO Call For Inclusive Trade

A debate on the future of globalisation, among the WTO and trade ministers from various countries, including India, called for greater engagement at the global level and push for inclusive growth with better domestic policies without resorting to trade barriers.

Underlining that trade barriers would actually destroy jobs rather than create them, they observed that increase in trade globally has led to higher economic growth and greater employment generation.

WTO's Director General Roberto Azevedo said 2017 is an important year for WTO and clearly trade is very high on agenda at WEF and it has helped revive growth as well as create jobs.

Obviously, trade has to be inclusive and we need better domestic policies to get people who have lost job get back job. But putting up trade barriers would not help it. They will destroy jobs actually rather than creating jobs.

*(PTI, 20.01.17)*

### US Offers 'Fair' Trade Deal to UK

US President-elect Donald Trump said he would offer the UK a quick and 'fair' trade deal when he meets Prime Minister Theresa May, as he signalled a major shift in trans-Atlantic relations.

Trump's warmth toward UK, which he says will benefit from its divorce from Europe, contrasts with scorn for NATO, the EU and German Chancellor Angela Merkel's refugee policy. He forecast other countries would leave the 28-nation bloc, which he described as a 'vehicle for Germany', and said leaving would be good for UK.

Signalling a further shift in relations between the US and Europe, Trump also said he would consider lifting US sanctions on Russia as part of a nuclear-weapons reduction deal.

*(FE, 16.01.17 & ET, 17.01.17)*

### Japan to take India to WTO

Japan is threatening to take India to the WTO over restrictions that nearly halved its steel exports to the South Asian nation over the past year, a step that could trigger more trade spats as global tensions over steel and other commodities run high.

India imposed duties of up to 20 per cent on some hot-rolled flat steel products in September 2015 and set a floor price in February 2016 for steel product imports to deter countries such as China, Japan, and South Korea from undercutting local mills.

Japan says India's actions are inconsistent with WTO rules and contributed to the plunge in its steel exports to India, which dropped to 10th largest on Japan's buyer list in 2016 through November, down from 6th-largest in 2015. *(FE, 20.01.17 & 21.01.17)*

### Market Cap to GDP Ratio Upside

Indian markets have underperformed in comparison to developed and emerging markets on the back of a flight of capital to dollar assets and demonetisation, therefore, it lead to a gap between India's share of world market capitalisation and its share in world gross domestic product (GDP) has broadened to the highest in at least 13 years.

While India's GDP as a share of global GDP is 2.99 per cent, its share of market capitalisation is 2.26 per cent, a gap of 73 basis points and the highest since at least 2003, according to data from Bloomberg and the International Monetary Fund (IMF). A basis point is one-hundredth of a percentage point.

A stronger dollar took a toll on emerging market inflows after Republican Donald Trump unexpectedly won the US presidential election, while the government's surprise demonetisation of high-value banknotes also dampened market sentiment.

*(Mint, 02.01.17)*

### India Rejects Investment Pact

"India will not allow investment to become part of any global agreement that allows investors to challenge governments in an international tribunal", Indian Commerce and Industry Minister Nirmala Sitharaman said.

India, along with Brazil, Argentina and some other nations, has rejected an informal attempt by the European Union (EU) and Canada to work towards a global investment agreement at the WTO-level that would incorporate a contentious Investor-State Dispute Settlement (ISDS) mechanism.

However, EU is keen to negotiate the Bilateral Investment Treaty with India before it begins talks on the Bilateral Trade and Investment Agreement - the much delayed comprehensive trade agreement with EU.

*(TH, 24.01.17 & ET, 23.01.17)*

# India's Proposal on Trade Facilitation in Services

A day later the Trade Facilitation Agreement (TFA) in goods under the WTO came into force, India submitted the draft legal text at the multilateral body for a similar agreement in services.


India is seeking to push the proposal at the upcoming biannual WTO Ministerial meeting in Argentina in December.

The proposed measures include clarity in work permits and visas, simplification in rules of temporary stay, rationalisation of taxes, fees and charges and sorting out social security contribution issues for short-term workers, among others.

Indian Commerce & Industry Minister Nirmala Sitharaman said that the changes to be brought about will improve the country's logistics and reduce transaction time bringing down costs considerably.

Indian exporters, too, are hopeful that the TFA will boost the country's exports through various facilitating measures and bring costs down.

*(Mint, 24.02.17 & BL, 23.02.17)*

# A Ray of Hope for the Economy

As nationalism seems to be on the rise, it is worth recalling that, a few decades ago; it was mainly nations in the developing world that resisted more openness to trade. Instead, they sought their salvation in the pursuit of national economic solutions.

However, the Trade Facilitation Agreement of the WTO is key to creating a level playing field for small- and medium-sized businesses operating in developing countries. Even in today's global economy, many entrepreneurs cannot fully tap their cross-border potential due to red tape and complex procedures at the border.


The Economic Times

E-commerce is of particular importance for so-called 'micro entrepreneurs'. It enables them to access products and far-away markets that have been closed off to them in the past. *(FE, 16.02.17)*

**China to Use 'Tit-for-Tat' Approach**

If US President-elect Donald Trump will pursue a trade war with China as he mentioned several times in his campaign rhetoric, China will take a tit-for-tat approach, said an editorial in the Chinese media.

Senior Chinese officials have warned the US that China is ready to retaliate if Donald Trump's administration imposes new tariffs, highlighting the risk of a destructive trade war between the world's two largest economies.

Penny Pritzker, the outgoing US Commerce Secretary, said that Chinese officials had informed US counterparts after November's election that they would be forced to respond to trade measures taken by the new administration. *(FT, 07.01.17)*

**India-Peru to Initiate Trade Talks**

Peru said an initial technical meeting in the first quarter would mark the first time that India, one of the world's biggest and fastest-growing economies, negotiated a comprehensive trade deal with a Latin American country.

After 2016's US presidential election, Peru said it hoped to join the rival China-backed trade deal, the RCEP, that several TPP economies, as well as India, have been negotiating.Peru, with a population of 30 million, is one of Latin America's most open and fastest-growing economies and a leading producer of copper, gold, and fishmeal.

Peru's exports to India would likely rise 12 per cent if the two countries passed a free trade deal, with clothes, fruits and vegetables, and chemical products poised to benefit the most, the ministry said. *(Mint, 19.01.17)*

**India-EU FTA Negotiations**

On February 20, 2017, India and European Union (EU) discussed the possibility of accelerating the negotiation process of the proposed free trade agreement (FTA), which has been pending since long.

The Indian side pitched for speeding up the negotiations of the comprehensive trade pact in the meeting. The proposed FTA, officially dubbed as Broadbased Trade and Investment Agreement (BTIA) has been pending for long.

Launched in June 2007, BTIA negotiations have seen many hurdles with both sides having major differences on crucial issues like intellectual property rights, duty cuts in an automobile as well as spirits, and a liberal visa regime.

The talks have been stalled since May 2013, when both sides failed to bridge substantial gaps on the crucial issues.

Besides demanding significant duty cuts in automobiles, the EU wants tax reduction in wines, spirits and dairy products, and a strong intellectual property regime. *(PTI, 20.02.17)*

**India Offers Small Duty for China**

The highest duty cuts have been offered to imports from ASEAN under the RCEP trade agreement. India has offered least tariff concessions to Chinese goods under the proposed FTA between 16 Asia-Pacific countries including China and Australia.

This was the 17th round of talks and the next round would be held in the Philippines in April 2017 before a likely Ministerial level meeting in May 2017. The new approach of differential treatment to duty cuts comes in the wake of India's burgeoning trade deficit with China.

However, despite India being able to convince the other countries to negotiate goods, services and investments together, not much progress has been made on liberalising services trade in the RCEP. An official opined that there is progress on the goods front but not in services. *(ET, 09.03.17)*

**Commodities Rebound to Boost Growth**

The pace of global growth will increase in 2017, fuelled by a rebound in commodity-exporting emerging economies and further recovery in advanced economies such as the US, according to the World Bank.

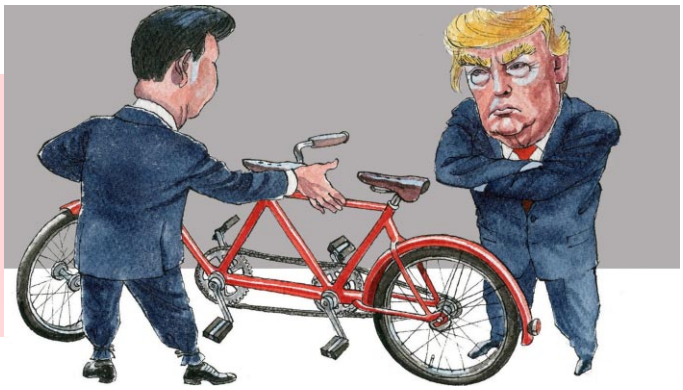
Global growth is expected to accelerate to 2.7 per cent in 2017 after growing by 2.3 per cent in 2016, its worst performance since the 2008 crisis. Advanced economies as a group are expected to grow at the slightly faster rate of 1.8 per cent in 2017.

The global commodities price surge cannot be disassociated from the credit impulse from China. With M1 (money supply) growth at 21 per cent and a 13 per cent y/y surge in the 12m cumulative total of social financing, China continues to heavily influence the general dynamics in many base commodities. *(FT, 11.01.17)*

# An Odd Couple Doomed to Cooperation

**Martin Wolf***

*It might take a communist leader to convince Trump of the merits of free trade*



The future of our world heavily depends on relations between the US, a young country and the incumbent superpower, and China, an ancient empire and a rising superpower. Making these relations particularly challenging have been the election in the US of Donald Trump, a populist xenophobe, and the ascendancy of Xi Jinping, a centralising autocrat, in China.

Participation in this year's China Development Forum has brought home to me some of the deeper roots of today's disenchantment. Chinese participants told me privately that they had once looked to the US as the successful model of capitalism, democracy and economic opening. The global financial crisis, the election of Trump and US protectionism have devastated its prestige in all three respects. Westerners complain, in turn, that the rhetoric of Chinese openness is far from matched by reality, pointing not least to the promotion of national champions, especially in advanced industries.

Yet it is also evident that this odd couple is doomed to co-operate if essential global public goods — management of the global commons, international security and stable prosperity — are to be secured. Trump may declare "America first". The Chinese leadership may focus on the welfare of its own citizens. But neither will be able to deliver what they want without paying attention to the interests and views of others. It is astonishing that today the Chinese leadership seems to understand this better than that of the US.

When presidents: Xi and Trump meet at Mar-a-Lago, the 'winter White House', in the first meeting between the two, a basis for co-operation needs to be found. The omens are not good. Trump has targeted China's trade and foreign exchange policies. He has even flirted with challenging the 'One China' policy, under which the People's Republic is the only legitimate Chinese state. To this must be added the gulfs in personality and experience between the 'tweeter-in-chief' and the communist apparatchik, the deal making real estate developer and the triumphant climber of the party's greasy pole.

If we merely focus on the economic dimension, how might this dialogue of the all-too-likely-to-be-deaf be saved?

First, the two leaders need to convince each other that neither will achieve his goals if they are in conflict. This is evidently true of an actual war. But it is also true of a trade war. Which country would lose most is an idle intellectual exercise. Without doubt, both would lose, directly and indirectly.

Second, Xi needs to bring home to Trump that his views on China's policies are hopelessly out of date. China has spent US$1tn of its currency reserves on keeping the renminbi up since June 2014. Between 2006 and 2016, China's exports fell from 35 per cent to 19 per cent of gross domestic product. The all-conquering export machine is an old story.

Third, Trump needs to tell Xi that China's industrial policies are a legitimate matter of concern to other countries. China can rightly argue it is a developing country. But it is also an economic colossus. Its development policies seem like predatory mercantilism to other countries. China needs to recognise that, in an interdependent world, others have a reasonable interest in what it does.

Fourth, China can help give Trump what he wants. The US president wants greenfield industrial investments in parts of his country damaged by deindustrialisation. This can never be reversed. But Xi can surely find Chinese businesses happy to invest in the US. Trump likes such announcements. Xi should help him.

Finally, Trump wants an infrastructure boom in the US. China is by far the world's greatest exponent of fast infrastructure delivery. It must be possible to marry China's capabilities to Mr Trump's objectives.

However contrasting the two countries may appear, they do share interests. Maintaining the open world economy is one of them. It is vital that Trump be persuaded that his views on trade are mistaken. It is surreal that we depend on a Chinese communist to persuade a US president of the merits of liberal global trade. Yet today's desperate times require such desperate measures.

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- *Chief Economics Commentator, Financial Times*
  *Excerpts from an article appeared in the Business Insider on March 18, 2017*

**World Bank Projects Global Growth**

The World Bank projected a global growth of 2.7 per cent, even as it observed that stagnant global trade, subdued investment and heightened policy uncertainty marked another difficult year for the world economy.

After years of disappointing global growth, it is encouraging to set stronger economic prospects on the horizon. Economic growth is forecast to accelerate moderately to 2.7 percent in 2017 after a post crisis low of 2.3 percent in 2016.

Fiscal stimulus in major economies - particularly in the US - could generate faster domestic and global growth than projected, although rising trade protection could have adverse effects.

However, the outlook is clouded by uncertainty about policy direction in major economies. *(ET, 11.01.17)*

**India 3rd Largest Consumer Economy**

Even as the world economy struggles and many developed countries are trying to alter their consumption through austerity drive, India could end up as the third largest consumer economy by 2025 according to a report by the Boston Consulting Group (BCG).

Consumption in India is set to triple to US$4tn by 2025 as rising affluence drives changes in consumer behaviors and spending patterns that have big implications for companies.

"India's consumer market is poised for fundamental change," said Nimisha Jain, a BCG partner and report coauthor. "[…] companies will need to shed conventional wisdom, try multiple business models simultaneously, and be prepared for rapid change internally to adapt to changing consumer needs and behaviours." *(ToI, 21.03.17)*

**Economists Upbeat on Indian Economy**

"In China, wages are rising very fast. China is becoming non-competitive. The best alternative for them is India. India should be involved in the supply chain activities that are now happening in China," Feldstein, Professor of Economics at Harvard said.

"There is great opportunity that now faces India. In India, with 1.3 billion consumers it has tremendous opportunity to take advantage of that," he said, pointing to the developments in the domestic economy, including massive digitisation. He also said that there were signs that the global economy was turning.

Feldstein's optimism was equally shared by business leaders Anil Agarwal, Rich Lesser, and Ajay Piramal. *(ToI, 28.3.17)*

**Chinese Forex Reserves Fall**

China's foreign exchange reserves dipped below US$3tn in January for the first time in five years, but the decline was lowest in seven months as tighter capital controls and a stronger renminbi discouraged outflows.

But a stronger renminbi in January weakened investor impetus to buy foreign currency, reducing the need for intervention. The renminbi recovered by one per cent in January, in line with downward correction in the dollar following the US currency's surge after Trump's election and the Federal Reserve's interest rate rise in December.

"The renminbi was on an appreciation path in January which was supportive for capital inflows […] but it's premature to look at these numbers and conclude that overall expectations about renminbi depreciation have turned." *(FT, 08.02.17)*

**China Targets 6.5% Growth**

At present, overall systematic risks are under control. There is also concern about high leverage in non-financial Chinese firms. Financial supervisors should fix weak links and act hard against illegal activities. There is a need to rein in China's runaway housing prices, especially in large economically prosperous cities, noting that houses are built to be lived in, not for speculation.

It signals the government's concerns about rising financial risks and environmental degradation wrought by the earlier emphasis on high growth at all costs and the unbalanced growth model that sustained it.

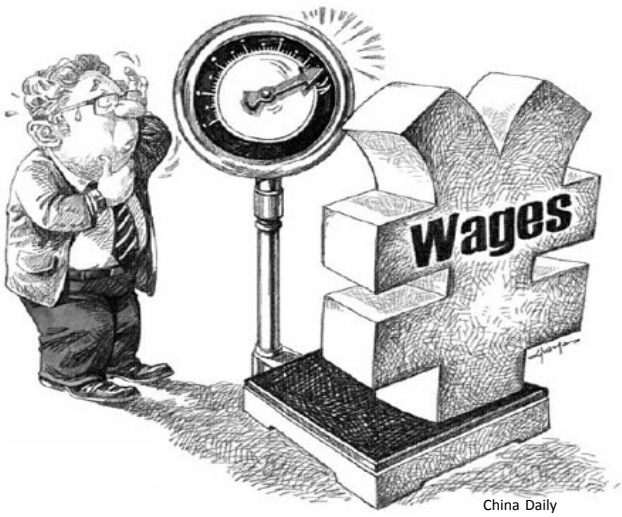
Fixed asset investment, a key driver for the world's second largest economy, would increase 9 per cent. Such investment grew 8.1 per cent in 2016, below the government's initial target of 10.5 per cent. *(FT, 06.03.17)*

# Chinese Wage Growth is Soaring

Average wages in China's manufacturing sector have soared above those in countries, such as Brazil and Mexico and are fast catching up with Greece and Portugal after a decade of breakneck growth during which Chinese pay packets have tripled.

Across China's labour force as a whole, hourly wages now exceed those in every major Latin American country except Chile, and are at about 70 per cent of the level in weaker Eurozone countries, according to data from Euromonitor International, a research group.

The figures indicate the progress that China has made in improving the living standards of its 1.4bn people. However, the fast-rising wage levels mean jobs could start to be lost to those willing to undercut China. *(FT, 27.02.17)*



China Daily

# OPEC to Cut Oil Surplus

After more than two years of allowing market forces to balance supply and demand, Organisation for Petroleum Exporting Countries (OPEC) in November agreed to again influence prices that had crashed in a manner that was far more severe than anticipated.

OPEC agreed to reduce its output by around 1.2 million barrels a day starting in 2017. A member group's January production numbers suggested curbs of around 1.1m b/d from OPEC's October baseline numbers.


This implies more than 90 per cent compliance in the first month of the six-month deal to tackle excess inventories. Should the group's production continue at current levels, there will no longer be an oil surplus in the second half of the year, OPEC said. *(FT, 14.02.17)*

**China's GDP Beats Expectations**

The fourth quarter was the first time in two years that the world's second largest economy has shown an uptick in economic growth, but this year if faces further pressure to cool its housing market, the impact of government efforts at structural reforms, and a potentially testy relationship with a new US administration.

There is no expectation for a rebound to extend far into 2017, when a slowdown in the property market and steps to address supply shortages in the commodity sector ought to drag again on demand and output.

Housing helped prop up growth again in the fourth quarter with property investment. Consumer spending was also strong, with retail sales in December rising at their fastest pace in a year on stronger sales of care and cosmetics. *(TH, 21.01.17)*

**Rising Powers to the Rescue**

Chinese President denounced protectionism and defended globalisation, suggests that China is positioning itself to fill the void in global leadership likely to be left by the Trump Administration.

Since the election of Donald Trump as US president, there has been great concern about the future of the liberal international order. Trump's victory raises an important question: will the emerging powers defend the existing arrangements or will they give them one final shove over the edge?

Until now, it was widely assumed that the main challenge to the liberal order would come chiefly from rising powers such as China, India and Russia. But Trump's victory and the Brexit vote in the UK suggest that it is collapsing from within.

But there is far less interest on China's part in undermining the liberal order. Some sections of the Chinese elite have cheered Trump's victory. *(FT, 19.01.17)*

**Global Inflation on the Rise**

In the rosy case, the global economy is now being offered a tonic by resurgent pricing for key commodities such as oil and iron ore and a buoyant US entering the presidency of Donald Trump will help drive demand, wages and investment.

In another scenario, a litany of political risks from Trump himself to the potential bungling of Britain's exit from the EU await the unwary, and the reflation could end up crimping consumer spending while failing to propel wages and investment.

Some of the financial market optimism is justified but political and policy risks remain, and the rise in global inflation is likely to prove short-lived. *(Bloomberg, 05.01.17)*

**Fears of 'Race to Bottom'**

A strengthening dollar and a 'race to the bottom' on taxes, deregulation and trade policy are the major risks to a brightening global economy, financial leaders said at the World Economic Forum in Davos.

If the disruptions we are expecting for 2017 as a result of what has happened in 2016 prove to be all negative and we are to end up in a race to the bottom on the tax front, on the trade front, on the financial regulation front, then that for me would be a really big 'black swan' that would have devastating effects.

Business leaders and policy makers applauded the anticipated economic stimulus from a new Trump administration. While such measures would support US markets for at least 100 days of the new presidency, it was unclear how they would be paid for. *(BS, 21.01.17)*

**AI to Present Huge Opportunity for Banks**

Artificial Intelligence (AI) will present a huge opportunity for banks to transform the customer experience, as per a study was done by consultancy firm Accenture.

The Accenture Banking Technology Vision 2017 finds that bankers believe AI will revolutionise the way banks gather information and interact with customers, using it to understand the intentions and emotions of customers and enable better interactions.

As per the report, 78 per cent of bankers globally, and 87 per cent in India believe that AI will enable simpler user interfaces that will help banks create a more human-like customer experience.

In addition, 79 per cent percent globally, and almost 87 per cent of bankers in India believe that AI will revolutionise the way banks gather information and interact with customers. *(ET, 29.03.17)*

**'Big Bang' Years of Mergers**

2017 is shaping up to a landmark year to the US telecom sector, with industry executives and analysts predicting a frenzied period of mergers under the more deal friendly regulatory regime of President Donald Trump.

The sector is readying itself for a period of upheaval. "Now is the time to consider that which in an earlier time might have been unthinkable," says Jonathan Chaplin, analyst at New Street Research. A "Big Bang consolidation" this year is inevitable, he says.

Trump has boosted confidence that his administration will be more open to megadeals. He picked Ajit Pai-Republican commissioner on the Federal Communications Commission sympathetic to arguments that telecoms groups need to merge to compete with Silicon Valley Rivals-to chair the US telecoms watchdog. *(FT, 01.02.17)*

**Special Zones to Boost Tourism**

Indian Finance Minister Arun Jaitley said the government would set up five Special Tourism Zones in partnership with states. These will be anchored as Special Purpose Vehicles (SPVs).

Besides, the government has asked the Railways to state dedicated trains for tourism and pilgrimage purposes.

The government allocated Rs 1840.77 crore to the Tourism Ministry in the budget, including money for the Integrated Development of Tourist Circuits around specific themes.

Analysts opined that the decision to withdraw service charge on railway tickets booked from the IRCTC website will also help the tourism sector.

*(TH, 02.02.17)*

**World Economic Freedom**

186 countries have been graded and ranked on 12 measures of economic freedom that evaluate the rule of law, government size, regulatory efficiency and the openness of markets. This is all according to the Index of Economic Freedom published by The Heritage Foundation.

India has slipped to 143rd rank in 2017. Corruption, underdeveloped infrastructure, and poor management of public finance continue to undermine overall development.

Growth is not deeply rooted in policies that preserve economic freedom. Progress on market-oriented reforms has been uneven. The state maintains an extensive presence in many areas through public-sector enterprises. A restrictive and burdensome regulatory environment discourages the entrepreneurship that could provide broader private-sector growth. *(BS, 17.02.17)*

**Blame Costly Wars, Not China**

The poor plight of the American economy was due to the costly wars waged by Washington and has nothing to do with trade ties with Beijing.

China and the US will not start a trade war, because President Donald Trump is an open minded person, Alibaba Founder and Executive Chairman Jack Ma said.

The US adopted a strategy to control intellectual property rights and select brands three decades ago, leaving lower level works to the rest of the world.

The US simply failed to allot the funds reasonably, Ma said adding his meeting with Trump was much more productive than expected the discussion mainly focused on the issues of SOEs and China-US trade, especially American enterprises selling in Asia through Alibaba's platform, which will provide about one million jobs for Americans in various ways.

*(ET, 22.01.17)*

**China Probes Bitcoin Exchanges**

The apparent correlation between a depreciating renminbi and bitcoin's price surge in recent months has prompted suspicion that the virtual asset is contributing to outflows, even as investors say they doubt the cryptocurrency is being used to transfer large amounts of cash out of China.

The People's Bank of China met the country's three largest bitcoin exchanges last week to remind them to follow "strictly" relevant regulations on risk control and to "clean up" any irregular practices.

China's central bank triggered a market rout in 2013 when it decreed that bitcoin was not a real currency and forbade banks from handling bitcoin transactions. But Chinese exchange operators have downplayed the most recent meetings, saying they do not signal a renewed crackdown.

Seasoned bitcoin investors say existing rules make the virtual currency impractical for big fund transfers. If the amount is too large, it will attract attention. *(FT, 11.01.17)*

# Moldova's Leader to Scrap EU Trade Deal

The announcement by Igor Dodon, who took office in December after beating his pro-European rival at the polls, marks a potential triumph for Russia president Vladimir Putin in his efforts to resurrect what Moscow considers as its rightful sphere of influence in countries of the former Soviet Union.

"This agreement has not given Moldova any benefits," Dodon said at a joint press conference with Putin, referring to the EU deal signed in 2014. "We lost the Russian market and strangely, our export volumes to the EU have fallen as well."


He added that he hopes the Socialist party, which he led before becoming president, would win the 2018 parliamentary elections, "and this agreement will be annulled."

Comments will be met with concern in EU capitals. They are a potential blow to the bloc's Eastern Partnership programme, which offers association and free trade deals to six former soviet republics. *(FT, 18.01.17)*

**Carbon Levy on Imports to EU**

The head of steel group ArcelorMittal has urged Brussels to look at increasing the cost of goods imported to Europe from countries without a carbon price to help protect EU companies from the bloc's latest efforts to curb global warming.

Prices have languished well below •10 a tonne of $CO_2$ for much of the past four years, too low to fulfill the scheme's aim of spurring low carbon investments. Reforms being considered by the European Parliament are aimed at lifting prices after 2020 by making carbon allowances more scarce, a step big energy users such as steel companies are watching closely.

Under the 12-year-old emissions trading scheme, users have to hand in an allowance for every tonne of carbon they emit — currently worth less than •6 a tonne of $CO_2$. *(FT, 13.02.17)*

**China to Uphold Climate Commitments**

China has pledged to stick with its carbon-cutting commitments despite moves by President Donald Trump that could cripple Washington's ability to meet its part of the Paris climate change deal.

In a step that experts said showed China's readiness to boost its global influence, China joined the EU to say it would press on with its Paris pledges after the US president signed an executive order aimed at sweeping away curbs on fossil fuels launched by his predecessor.

While not mentioning the US specifically, the spokesman said every signatory to the accord adopted in 2015 should "fulfill their pledges and implement the agreement with positive actions". The comments are an indication that China is preparing to step into the climate leadership vacuum created by Trump's actions.

*(FT, 30.03.17)*

**Ban on Bee-harming Pesticides**

The world's most widely used insecticides would be banned from all fields across Europe under draft regulations from the European Commission. The documents are the first indication that the powerful commission wants a complete ban and cite "high acute risks to bees". A ban could be in place in 2017 if the proposals are approved by a majority of EU member states.

Bees and other pollinators are vital for many food crops but have been declining for decades due to habitat loss, disease and pesticide use. The insecticides, called neonicotinoids, have been in use for over 20 years and have been linked to serious harm in bees.

A fierce battle has been fought between environmental campaigners and farming and pesticides groups. The latter argue the insecticides are vital for crop protection and that opposition is to them is political. *(TG, 23.03.17)*

**More Extreme Weather in 2017**

Extreme weather and climate conditions, including Arctic 'heatwaves', have continued into 2017, after global temperatures set record in 2016 and the world witnessed exceptionally low sea ice and unabated ocean heat, the UN weather agency said.

While global temperatures hit a remarkable $1.1^0$ C above the pre-industrial period, global sea-level touch record highs and the planet's sea-ice coverage dropped more than four million square kms below average in November — an unprecedented anomaly for that month, according to the World Meteorological Organisation's statement on the state of the Global Climate in 2016.

"This increase in global temperature is consistent with other changes occurring in the climate system," WMO Secretary-General Petteri Taalas said. Each of the year since 2001 has seen at least $0.4^0$ C above the long-term average for the 1961-1990 base period, used by the UN agency as a reference for climate change monitoring.

*(TH, 23.03.17)*

**Vitol Oil Trading Volumes Surge**

The Swiss-based company Vitol's annual traded volumes rose 16 per cent in 2016 to a new record as the world's largest independent energy trader sold more gasoline and diesel in markets, such as the US and Australia.

Crude represented 48 per cent of its traded portfolio and volumes also rose 16 per cent. The biggest jump in percentage terms came from gasoline, up 44 per cent and gasoil, up 26 per cent, driven by increasing demand in the US, Australia and Vitol's growing presence in key African markets.

Vitol's turnover, however, fell to US$152bn in 2016 from US$168bn in 2015 as a result of lower energy prices.

*(Reuters, 24.03.17)*

# Sea Ice Retreat to Lead to Rapid Overfishing

Since 1979, when scientists began using satellites to track changes in the Arctic sea-ice expanse, its average summertime volume has dropped 75 per cent from 4,000 cubic miles to 1,000 cubic miles. By September, the Arctic Ocean will have swapped nearly 4 million square miles of ice for open ocean.


www.cdn.theatlantic.com

This accelerated transformation has troubled scientists, conservationists and government officials who are anxious about the fate of the fish that may live in these waters— and for the entire ecosystem itself. According to international law, anyone could fish these newly opening high seas, if they desired, and thanks to the retreating ice, they may soon have their chance.

Delegations from the five Arctic coastal states and five of the world's largest fishing jurisdictions are meeting in Reykjavík to hammer out a deal to prevent commercial fishing boats from casting their nets into the international waters of the Arctic until scientists complete a full assessment of its fish stocks.

*(TA, 17.03.17)*

**China to Invest into Renewable Fuel**

The investment will create over 13 million jobs in the sector, the National Energy Administration (NEA) said in a blueprint document that lays out its plan to develop the China's energy sector during the five-year 2016 to 2020 period.

The NEA said installed renewable power capacity including wind, hydro, solar and nuclear power will contribute to about half of new electricity generation by 2020.

The agency did not disclose more details on where the funds, which equate to about US$72bn each year, would be spent. Still, the investment reflects China's continued focus on curbing the use of fossil fuels, which have fostered the country's economic growth over the past decade, as it ramps up its war on pollution.

*(Reuters, 05.01.17)*

**Trump Kills Clean Power Plan**

Trump signed an executive order on 'Promoting Energy Independence and Economic Growth', effectively undoing the Clean Power Plan introduced by former President Barack Obama.

The move could potentially derail the Paris Agreement, just a couple of days before the presidential election. The executive order is aimed at increasing coal production and consumption in the US, besides other fossil fuel resources such as shale oil and gas.

Days before Trump took charge, the Obama administration sent US$500mn to the Green Climate Fund (GCF), which the current President has refused to contribute to.

Developing and least developed countries are expected to receive US$100bn from the GCF annually starting 2020 to help them adapt to climate change and adopt clean energy technologies going forward to mitigate climate change. *(BL, 29.03.17)*

**Panasonic Eyes Storage Boost**

Japan's scaling back of a programme encouraging residential solar has Panasonic Corp. hopeful the market for home energy storage systems is about to receive a boost.

In 2019, a programme designed to buy back solar power flowing from rooftop panels at above-market rates will start becoming less enticing, potentially leaving homeowners who signed up with excess power on their hands. Osaka-based Panasonic is anticipating that installations of energy storage systems combined with solar panels are set to rise as a result.

Panasonic has been selling residential energy storage systems that include a battery and an inverter since 2012. In April, it will begin offering a new model that's a third the size of the current version while also being able to be hung on an outer wall and installed using fewer parts.

*(Bloomberg, 27.02.17)*

**Trump Scraps Anti-corruption Rule**

One of the few laws signed by Donald Trump has eliminated an anti-corruption rule that improved transparency in the opaque natural resources sector.

The Securities and Exchange Commission had adopted this extractives anti-corruption rule in June 2016 to implement a law passed in 2010.

The rule required oil, gas and mining groups listed on US stock exchanges to publish payments they make to governments for the right to extract. This would have equipped citizens in resource-rich nations to fight corruption and improve accountability. Investors also supported the provision as a means to manage risk.

For many, the demise of this rule could be the start of a contagion poisoning anti-corruption work. Possibly, but the folly perpetrated by Trump and his congressional allies may reinvigorate anti-corruption initiatives if it spurs leaders in government and industry elsewhere to coalesce against opacity. *(FT, 09.03.17)*

**Temperatures Hit New High in 2016**

World temperatures hit a record high for the third year in a row in 2016, creeping closer to a ceiling set for global warming with extremes including unprecedented heat in India and ice melt in the Arctic.

Average surface temperatures over land and the oceans in 2016 were 0.94$^0$ C (1.69 degrees Fahrenheit) above the 20$^{th}$ century average of 13.9$^0$C (57.0F), according to the US National Oceanic and Atmospheric Administration (NOAA).

US space agency NASA reported almost identical data, and the UK Met Office and University of East Anglia, which also track global temperatures for the United Nations, said 2016 was the hottest year on record.

*(Reuters, 18.01.17)*

## Surge in Green Tech to Meet Climate Targets

Green innovations must be developed and spread globally 10 times faster than in the past if we are to limit warming to below the Paris Agreement's 2$^0$C target.


"Based on our calculations, we would not meet the climate warming goals set by the Paris Agreement unless we speed up the spread of clean technology by a full order of magnitude, or about ten times faster than in the past," said lead researcher Gabriele Manoli from Duke University in Durham, North Carolina, US.

Using these historical trends coupled with projections of future global population growth, Manoli and his colleagues were able to estimate the likely pace of future emissions increases and also determine the speed at which climate-friendly technological innovation and implementation must occur to hold warming below the Paris Agreement's 2$^0$C target. *(BL, 04.01.17)*

# A Carbon Border Tax is the Best Answer on Climate Change

**Lakshmi Mittal***

*The aim should be both to reduce emissions from Europe's production and consumption*


The Financial Times

The European Parliament will vote on the EU's latest proposals to significantly reduce carbon emissions. The next stage of the emissions trading system (ETS), the most ambitious since the scheme began in 2005, will bring a steep cut in the number of emissions allowances granted to industries.

It is admirable that Europe wants to take the lead in showing the world what is possible when it comes to reducing emissions. Climate change is a clear threat and needs to be addressed. Designing policy appropriate for multiple sectors and industries is difficult and complex. But the extent to which Europe's steel industry and the 320,000 people it employs directly will be affected based on current proposals needs to be understood before it is too late. Otherwise this could be the start of the further weakening of the European steel industry, which is already suffering from China's overcapacity.

This is a warning to all those who care about the heritage of European steelmaking and believe manufacturing should remain a central part of its economy. Europe has always been at the forefront of industry. There is no reason why, with its strong technical knowledge, skilled workforce and excellence in research and development, it should not have a strong industrial future. But this requires politicians and lawmakers to recognise what creates a viable environment for an industry and ensure they do not legislate against it.

This is not an attempt to avoid doing our bit to help transition to a lower-carbon economy. European steelmakers recognise the need to reduce emissions — here and across the world. We have pilot schemes in place to test new technologies including carbon capture and utilisation. We are also working with our customers to help them reduce the carbon footprint of their products.

We agree with the EU's climate goals. What we don't agree with is the method that is on the cusp of being implemented in Europe. One of the major obstacles to success is that emissions are global. The aim of the system should be not just to reduce emissions from what Europe produces, but also to reduce emissions from what Europe consumes. This is particularly relevant for globally traded industries, like steel. Today Europe consumes approximately 160m tonnes of steel a year. Of that, 83 per cent is made in Europe. When the next phase of the ETS passes into law, the costs of European steel producers will rise significantly based on a carbon tax that could be approximately •30 a tonne.

Steel producers in another part of the world that sell into Europe will not have to pay that tax. They will therefore have a competitive advantage of roughly •30 a tonne over European rivals. In a sector characterised by global overcapacity this is a significant amount that jeopardises the long-term viability of much of Europe's steel industry. Over the past 10 years the average gross profitability per tonne of European steelmakers has been •35. Take a potential average carbon cost per tonne of steel at •30 and you're left with very little profit — and that's before you get to the deductions that determine net profit.

The answer, I believe, is the introduction of border carbon adjustments to protect European competitiveness. It was interesting to note George Shultz and James Baker, both former US Treasury secretaries, arguing the same point last week with regards to America's position on climate change, also making the point that this will also genuinely encourage other countries to follow suit.

Left as is, Europe will continue to need and consume the same amount of steel — but more of it will come from abroad, quite possibly from countries with lower environmental standards and higher levels of emissions than Europe's producers, which are among the most efficient in the world.

Europe's politicians need to ask themselves what success really looks like. An outcome where jobs are exported and carbon is imported — with no meaningful impact on total global emissions? Or a fair and equitable policy that incentivises investment and reduces emissions, while enabling the long-term sustainability of Europe's steel industry?

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* *Chairman of ArcelorMittal*
*Excerpts from an article appeared in the Financial Times on February 13, 2017*

**Trump Slashes Foreign Aid**

US president Donald Trump's proposals to slash overseas aid risks destabilising the world's most fragile nations and inflaming extremism, aid groups and former US officials warn.

"Cuts of the order of magnitude under consideration would be potentially devastating," said Kevin Watkins, head of Save the Children UK. "At a time when sub-Saharan Africa is facing the prospect of famine in three countries, cuts in support to UN agencies would be a death sentence for many children."

In his budget, Trump proposed slashing spending for the State Department and the US Agency for International Development by 28 per cent, while increasing funding for the Pentagon by 9 per cent. *(FT, 30.03.17)*

**1% of Indians own 58% of Country's Wealth**

Oxfam International's global inequality report shows that while new data for China and India indicate that the poorest half of the world owns less than previously estimated, across the world, the scenario is equally grim.

Seven out of 10 people live in a country that has seen inequality widen in the last 30 years, according to the report entitled "An Economy for the 99 Percent"—the latest in a series that began in 2014 and is launched just before the WEF meetings in Davos every year.

The report said that between 1988 and 2011, the incomes of the poorest 10 per cent around the world increased by an average of just US$65 per year, while those of the richest one per cent grew by an average of US$11,800 a year—182 times as much.

*(Mint, 16.01.17)*

**In Defence of Globalisation**

Despite many challenges it has created, globalisation has made world a better place than it otherwise would have been. The current projection of the UN under Millennium Development Goals (MDGs) to eradicate poverty in the world, except Africa, by 2050 can be achieved only through globalisation.

Through globalisation, African countries can also be a part of the UN MDGs through facilitating trade among each other. In the defence of globalisation, other instances are: Chile, Australia and Canada, the large copper producers, can help in improving global health by introducing affordable copper infrastructure into hospitals and other clinical settings.

Copper has powerful anti-bacterial properties and is an ideal material for use in healthcare facilities where bacteria often spread.

*(Mint, 23.01.17)*

**China Favours Globalisation**

China's President Xi Jinping is in favour of pushing development strategy through cooperation and economic globalisation in order to build a human community with shared destiny.

Jiang Jianguo, head of the State Council information Office, said that "with the rise of populism, protectionism, and nativism, the world has come to a historic crossroad where one road leads to war, poverty, confrontation and domination while the other road leads to peace, development, cooperation and win-win solutions".

Vice Foreign Minister Li Baodong said criticism of trade protectionism levelled at China, by Trump and others, was unjust. "Trade protectionism will lead to isolation and is in the interest of no one". *(FE, 11.01.17)*

**India in the Sweet Spot**

In the WEF at Davos, veteran banker and National Development Bank's President K V Kamath said 'a new normal' is emerging where many countries will prioritise an 'inward look' at their national policies and India remains in a comfortable position in this scenario.

India is in sweet spot in the sense that for the next 15-20 years, India is going to be absorbing investments into infrastructure, manufacturing, and into areas driving the consumer sector as we grow from US$2tn to US$4tn or US$6tn economy in the next 20 years.

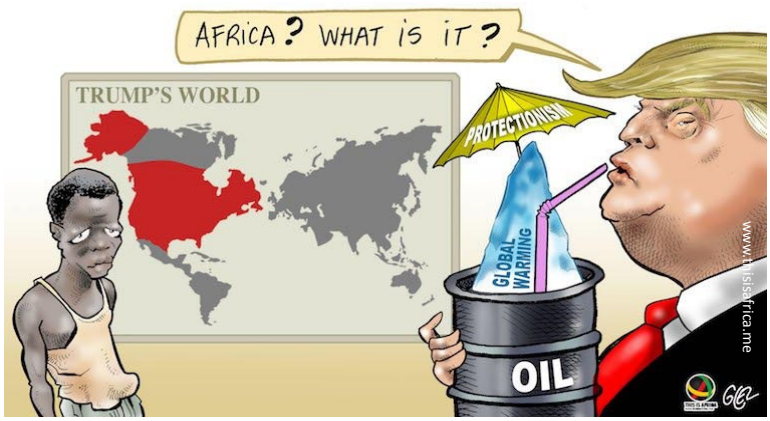
He said that India is in very strong position and any dialogue on globalisation is not complete without taking India and China into context.

*(ToI, 20.01.17)*

# Doubt over Africa Deals

Donald Trump's 'America first' pledge could threaten US' three biggest health and trade initiatives in Africa, US and African experts and politicians warn. Concern focusses on three bipartisan programmes, backed by successive presidents, designed to help African countries deal with health emergencies, develop stronger economies and deepen democratic institutions, Chester Crocker, a former US Assistant Secretary of State for Africa in the Reagan administration, says.

The three programmes seen as most at risk from the Trump administration are considered the pillars of US Africa policy. "The key question is how will Africa help America be great again? How does Africa fit into this?," says Schneidman, adding studies showed trade with the continent supported 120,000 US jobs.




Even if Trump remained unconvinced, he adds, "there is a legal architecture in place [underpinning the programmes] that's been there for three administrations, which will not be easy to dismantle."

*(FT, 07.02.17)*

**US$460m Pledged for Vaccine Initiative**

The billion-dollar programme aims to cut vaccine-development time from 12 years to one. A coalition of governments, philanthropists, and business is pledging to put money and effort into making vaccines to stop the spread of diseases that could threaten mankind – and to prevent another outbreak as devastating as the Ebola epidemic.

The Coalition for Epidemic Preparedness Innovations (CEPI) will direct money into research for vaccines for infectious diseases that afflict low and middle-income countries and are not research priorities for pharmaceutical companies because there is not a lucrative market for them.

But an equally important part of the programme will be to build the scientific and technological infrastructure for developing vaccines quickly against pathogens that emerge from nowhere to cause a global health crisis. CEPI aims to develop two promising vaccines against each of the first three diseases so that they are available before any epidemic breaks out. *(FT, 19.01.17)*

**Democratic Deficit**

From a recently released report by Oxfam, we learn that eight rich people own as much wealth as half the world's population in 2016. The richest 1 per cent of Indians holds as much wealth as that held by 58 per cent Indian population.

In the human history, this kind of inequality was the norm and the real challenge was how to fashion a stable government. To address this problem, societies devised what scholars call 'class warfare constitutions'. The powerful idea was tiered representation. But all changed in the era after the American Constitution was drafted in 1787.

The 'middle class constitution' was possible in this 1770s because America was a relative egalitarian place blessed with a wide open space in its west and the absence of any feudal or aristocratic class that was historically entrenched. *(TH, 24.01.17)*

**World Leaders in Global Rebalancing**

Global leaders should follow the five priorities in the phase of global rebalancing. First, leaders must agree to build a system of global governance that is inclusive, responds to the fast-moving nature of geopolitics and has the moral authority to enforce effective decisions.

Second, they must work to reform market capitalism, to protect those who have fallen victim to the system's divisiveness, corruption and short-sightedness.

Third, leaders must work to restore global economic growth. Change is much easier to achieve when growth is brisk. Fourth, they must seek to shape the great wave of technological change that is breaking over us before it shapes us.

Finally, but perhaps most importantly, leaders need to address the pervasive identity crisis that has eroded communities and ways of life over the past two decades, resulting in wave upon wave of legitimate anger. *(FT, 13.01.17)*

**Lagarde Urges Wealth Redistribution**

IMF Managing Director Christine Lagarde called for greater wealth distribution to respond to populist advances across the world, while hedge fund billionaire Ray Dalio predicted the possible end of globalisation in a panel chaired by Bloomberg Television's Francine Lacqua at the WEF in Davos.

The panel also discussed how to combat the backlash against governments and the elite by taking back control of the political narrative.

One of the panellists suggested three major steps to deal with populism twisted Trump's campaign slogan. Those are: public investment on an adequate scale starting from infrastructure; making global integration work for ordinary people; and enabling the dreams of every young American.

*(FE, 18.01.17)*

**NZ Beached Whale Crisis Over**

Whale rescuers were cautiously optimistic that the current wave of mass beachings in New Zealand was over, after hundreds of the creatures died after being stranded ashore.

The crisis began when a pod of 416 whales were found stranded on the 26-kilometre Farewell Spit, with hundreds more following them.

The shallow, sweeping spit is believed to interfere with the whales' navigation systems and is a regular scene of mass strandings.

As low tide approached, around 300 pilot whales were heading out of Golden Bay in the northwest of the South Island and swimming towards the deep-water safety of Cook Strait. *(TH, 13.02.17)*

# A World Record for Satellite

Since taking office in 2014, Modi has put huge emphasise on the country's US$1.2 bn space programme. In the same year, India successfully sent a satellite to Mars and this achievement became a proxy for India's geopolitical might and ambition.

As per the record, ISRO launched 104 satellites in one launch. The Indian record, which triples Russia's record 37 satellites from one rocket, was possible only because most of the craft were small.

In China, India's enthusiasm for its record has been dismissed as over-blown because China thinks that US is his opponent in aerospace technology not India. Most of the technology required to pack 104 satellites on to one rocket came from foreign companies while India only provided the rocket and the launch opportunity. However, India's rocket is one of the most reliable medium-lift satellite launch vehicles in the world. *(FT, 13.01.17)*

# Free Trade can Work for the Poor, too

Harsh Vora*

*Trade has a pro-poor bias, and any barriers to trade can quickly degenerate into barriers to reducing poverty*


In a global trading landscape that is being increasingly influenced by protectionist narratives, the approval of the landmark European Union-Canada trade deal Comprehensive Economic and Trade Agreement (CETA) by the European Parliament comes as a breath of fresh air. Trade between the two economies amounts to about US$63bn presently, and reports say CETA could increase this by 20 per cent to as much as US$76bn.

Realising these gains from trade would require dismantling not just tariffs but also non-tariff barriers as envisioned in CETA. While the former has finally been voted upon in the EU parliament and about to be enforced after more than seven years of negotiation, the latter still hangs in the balance. Reducing non-tariff barriers would require ratification by EU member states, a task that is both formidable and time-consuming.

In 2016, the tiny Wallonia region of Belgium, with a population of about 3.5 million, held the entire deal hostage to its concerns about the loss of welfare due to trade. Foreign competition induced by CETA was particularly feared to hurt Wallonia's farmers, who were increasingly facing higher production costs in their region. To be sure, such concerns are legitimate and are shared by a host of countries, including the US.

But that narrative fails to take into account the huge welfare gains that accrue to consumers of cheaper imports. In value terms, cheap imports resulted in savings of as much as US$5.6bn for UK consumers every year. Furthermore, the authors also predict that treaties such as the Transatlantic Trade and Investment Partnership between the EU and the US could save EU consumers US$4.45n, while the Economic Partnership Agreement between the EU and Japan could save them US$2.23bn by way of lower import prices.

Even among those consumers, the poor tend to gain more through freer trade. This is because tradable goods constitute a large portion of their overall expenditure, and lower import prices of these goods feed into greater savings for them.

In simpler terms, trade has a pro-poor bias, and any barriers to trade can quickly degenerate into barriers to reducing poverty. That is not to downplay the distributional consequences of trade or engage in trade fundamentalism. Trade hurts uncompetitive businesses and causes unemployment. But as long as the losers are compensated from the aggregate welfare gains resulting from trade, there is a strong case to be made in favour of liberalising restrictions. This compensation should be in the form of robust safety nets that are combined with skilling programmes to retrain displaced workers for new employment opportunities.

There could also be a legitimate argument in favour of imposing anti-dumping or countervailing duties on certain items if the cheap import happens to be a result of market distortions created by the foreign trade partner in its home country. In its high growth years, for example, China witnessed heavy state-led investments in its steel industry. This led to industrial overcapacity in the subsequent low growth years when domestic demand faded.

Consequently, Chinese producers engaged in price discrimination by exporting steel to foreign markets at prices far lower than those prevailing domestically. The importing countries naturally witnessed damage to their domestic steel industries, but not necessarily due to their own inefficiencies or weaknesses. They lost out owing to market distortions or failures induced by their foreign trade partner's state policy. This could justify appropriate domestic measures.

The problem with such measures, however, is that it is often difficult to distinguish clearly between cheap imports induced by market distortions and those taking place as a result of genuine comparative cost competitiveness of the foreign producers. And the result is a flagrant misuse of anti-dumping measures to thwart even genuine imports.

Given their potential for misuse, protectionist measures should be avoided or limited to exceptional situations only. Where such effects are unclear, trade should be allowed to take its own course.

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* Entrepreneur, Investor and Trader
Excerpts from an article appeared in Mint on February 23, 2017

# ReguLetter

The January-March 2017 issue of ReguLetter encapsulates 'Digital Society's Many Disruptions' in its cover story which states that Digital revolution is the new buzzword in India. The government had already announced a campaign on Digital India with the mission of digitally empowering every Indian and ensuring that all information is digitally available. Following the demonetisation measure, consumers were asked to use the digital space to make payments for their purchases in view of the cash shortage. That was not too easy, though the usage of digital platforms for cash transactions has jumped hugely.

A special feature by Biju Dominic states that a look at the prevailing corporate structures and processes does not give one the confidence that firms are created with any deep understanding of human behaviour.

Another article by Prabhash Ranjan and Pushkar Anand India should adopt a plan packaging regulation rather than impose on blanket ban on FDI in the tobacco sector.

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


REGULETTER

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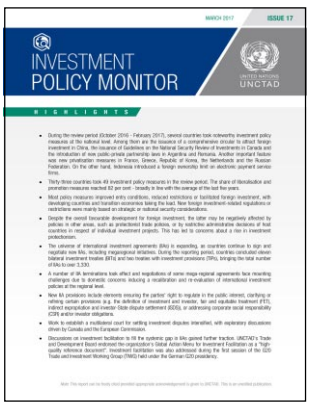
Digital Society's Many Disruptions

Inside this Issue

Special Articles

# UNCTAD's Investment Policy Monitor




UNCTAD has just released the latest issue of its Investment Policy Monitor. 33 countries took 49 investment policy measures in the review period (October 2016-February 2017). Most of them improved entry conditions or promoted and facilitated foreign investment, with developing countries and transition economies taking the lead. New foreign investment-related regulations or restrictions were mainly based on strategic or national security considerations.

Among the notable policy measures are the issuance of a comprehensive circular to attract foreign investment in China and the introduction of new public-private partnership laws in Argentina and Romania. Another important feature was new privatisation measures in France, Greece, Republic of Korea, the Netherlands and the Russian Federation. Indonesia introduced a foreign ownership limit on electronic payment service firms, and Canada issued Guidelines on the National Security Review of Investments.

Regarding international investment policies, countries continued to sign and negotiate new International investment agreements (IIAs), bringing the total number to over 3,330. Provisions in new IIAs include elements ensuring the parties' right to regulate in the public interest, clarifying certain clauses or addressing investor responsibility.

## 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
- Readability (colour, illustrations & layout)

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