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Trade in an Increasingly Protectionist World

The rhetoric against globalisation is disturbingly shifting away from strengthening domestic industry through necessary economic reforms to shielding it from global competition. This is not a good sign.

The US' Department of Commerce has recently recommended a review of the policy on imports of steel and aluminium products. It has suggested a global tariff of at least 24 per cent on all steel imports from all countries and a tariff of at least 53 per cent from 12 countries, including India.

Similarly, a global tariff of at least 7.7 per cent on all aluminium imports from all countries has been endorsed. The import restrictions have been made under the 'national security' provision of US trade laws and are intended to increase domestic production.

In its latest Union budget, the Government of India has proposed to almost double its import duties on *inter alia* labour-intensive sectors, such as beauty aids, watches, toys, among others, to 20 per cent. The move came as a surprise as India has been progressively reducing tariffs from an average of almost 81 per cent in 1990 to 13 per cent till recently.

Consequences of imposing high tariffs

The role of high tariffs in promoting domestic industries is not impressive. It can have several unintended consequences. For instance, a report by the World Bank, entitled '*Automotive in South Asia: From Fringe to Global*', argues that high tariff and non-tariff barriers in the automotive sector in India and Pakistan might be reducing international competitiveness and slowing down the spread of world-class good practices in the value chain.

The local original equipment makers (OEMs) in both countries do not face adequate competition due to high import tariffs of 60 per cent and 80 per cent on completely built units of passenger cars. This makes imports of cars prohibitively expensive, thus encouraging local OEMs to focus on the domestic market at the expense of exports.

The resistance to becoming globally competitive and a heavy reliance on the domestic market might not be advisable in a country like India, which has 'a hole where its middle class should be', as recently pointed out by *The Economist*. It has been reported that high tariffs have been tried for key industries in Malaysia, Indonesia, Singapore and Hong Kong, with unconvincing results.

Convergence between trade and industrial policy

To tackle the challenge of increasingly protectionist tendencies across the globe, and design right policies for promoting domestic industries, there should be convergence between trade and industrial policy. This can be achieved by introducing process reforms in the formulation of trade and industrial policies through a whole-of-government approach.

Meritorious and comprehensively thought-out policy prescriptions designed after rigorous cost-benefit analysis and expert consultation must find favour rather than the knee-jerk reactions suggested by senior officers. Capacity building and administrative reforms within the government should be high priority.

* Pradeep S Mehta, Secretary General, CUTS International; excerpts from an article appeared in *Mint* on March 07, 2018



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What Would a India-US Free Trade Agreement Look Like?

Pradeep S Mehta and Bipul Chatterjee*

If India has to realise the imperative of creating new jobs, the country's manufacturing base needs to be expanded with a clear trade strategy in mind. The world economy is on the upswing, offering better potential for India's exports. Faced with a World Trade Organisation (WTO) losing its animal spirits, India needs bilateral trade deals with countries with big markets such as the US.

From a low base of US\$20bn in 2001, trade between India and the US has registered an impressive growth. It is currently US\$115bn. However, the volume is still small, as compared to the overall trade of these countries. Therefore, one of the stated objectives of US-India strategic relations is to enhance trade in goods and services to US\$500bn over the next decade or so.

Furthermore, the US wants trade to be more balanced. This means that the US would like to see a significant reduction in its trade deficit with India by focusing more on its exports of high-technology-based products to the country. At present, this deficit stands at around US\$30bn. However, as against looking at the value of trade in final products, if we look at it in value-added terms, this deficit is significantly low.

According to latest data available in the OECD-WTO, the US witnessed about a US\$15bn trade deficit with India in terms of their total value of trade. However, this (trade deficit) figure was about US\$5bn when trade is considered in terms of their value addition. Moreover, while the US is witnessing an increasing trend in its trade deficit with India as per the total

value of its bilateral trade in value-added terms, since 2003, this deficit is shrinking over time.

Domestic regulatory environment

In today's world of value-added trade, tariffs are no longer a significant determinant. In the US, tariffs on most goods are already low and there is not much necessity for further lowering such a barrier. But, in India, while tariffs are still relatively high, these are coming down as a result of unilateral liberalisation efforts.

There is need for improvement in the predictability of domestic regulatory



environment in the US. Many US companies are reluctant to do trade with India because they are unsure about the application of standards and treatment of intellectual property rights in the Indian market. Also, there is a sub-optimal risk management system in Indian ports, adding to time and cost of "trading across borders".

Both countries should, therefore, work together to improve their domestic regulatory environment in specific areas to boost the confidence of their companies to trade with each other.

Other than enhancing the volume of bilateral trade, this will also help bilateral investment flows.

The Indian customs and the US customs can jointly work to improve the risk management system in Indian ports. This will help both Indian and American companies to make better use of Indian ports for their supply-chain management.

Partnership at the multilateral level

At the 11th ministerial conference of the WTO, the US trade representative, Robert Lighthizer, called for institutional reforms in the multilateral trade body, particularly in its dispute settlement system. Despite the impasse in the negotiating function of the WTO, such reforms are needed for greater predictability in trade.

India is also keen to see reforms at the WTO, albeit for different reasons. India and the US working together for institutional reforms of the multilateral trading system will not only strengthen this body but will also act as a significant confidence-building measure for enhancing bilateral ties.

First, economic diplomacy starts with trade and ends with trade and investment. And second, making trade possible and making trade happen are two different things. Through grounded research, extensive stakeholder consultations in both countries, including taking into account strategic, security and political aspects of our bilateral ties and those in the Indo-Pacific region, we need to take specific confidence-building measures to create a vision for this free trade agreement.

* Secretary General and Executive Director respectively of CUTS International; excerpts from an article appeared in the Wire on January 25, 2018

China to Retaliate on Trump Tariffs

China has threatened retaliation after the Trump administration received a green light to impose steep tariffs on aluminium and steel imports on national security grounds, in the latest escalation of trade tension between the world's top two economies.

Analysts opine that China is wary of escalating any trade disputes for fear of damaging its export-dependent economy and so will focus any retaliation on specific-sectors – most likely agricultural goods such as soybeans, for which China is the largest export market for the US.

Trump was convinced that imposing tariffs would 'create a lot of jobs' and dismissed warnings that such measures in the past had hurt more than they had helped. *(FT, 19.02.18)*

Aluminum Premium Hits 3-Year High

The premium, or surcharge, to secure immediate delivery of metal from warehouses, surged to its highest level in three years. The Midwest Aluminium Premium futures contract rose almost 12 per cent on the CME exchange in New York to trade at 15 cents a pound.

The contract has now risen by more than 60 per cent in 2018 to record its highest level since April 2015, as big aluminium consumers have tried to

hedge themselves against higher raw material costs.

Analysts commented that the global aluminium price could suffer in the wake of the move from the White House if it ultimately results in a trade war that hits global growth. *(FT, 03.03.18)*

Trump Softens Steel Tariff Stance

Donald Trump has adopted sweeping tariffs on steel and aluminium imports. His decision marks the fulfilment of a campaign promise to protect the US steel industry and bring back jobs to the blighted Rust Belt communities.

This move is expected to draw retaliation from the EU and other steel producers and heighten fears of a descent into trade wars.

But the last minute softening included an immediate exemption for Canada and Mexico while they renegotiate the North American Free Trade agreement with the US. Under US law, the tariffs are technically allowed only because they would protect the domestic industry for national security purposes. *(FT, 09.03.18)*

India Braces for 'Reciprocal Tax'

With US President Trump threatening yet again to impose 'reciprocal taxes', India Inc said it was in a wait-and-watch mode. Trump has already raised

the issue of import duty on Harley Davidson Bikes three times in a year.

His comments on reciprocal taxes come ahead of a meeting of WTO trade ministers to be hosted by India. Sanjaya Baru, Secretary General, Federation of Indian Chambers of Commerce and Industry, said there was an agreement by which "India would export mangoes to the US, and import Harley Davidsons. So America cannot... unilaterally, take any action." *(TH, 04.03.18)*

South Korea Hits back at US Tariffs

According to documents filed with the WTO, South Korea is seeking consultations with the US over its introduction of broad 'safeguard' tariffs of up to 30 per cent on solar cells and 50 per cent on large washing machines. In both cases, it said: "Korea considers these measures to be inconsistent with the US obligations' in the WTO.

South Korea's request for consultation means that unless it backs down in the next 60 days the US could face a bitter fight at the WTO, which has the power to authorise trade retaliation if it finds in South Korea's favour.

The unusually quick response from South Korea highlights just how sensitive US trading partners are to a growing number of trade moves the Trump administration expects to take in 2018. *(FT, 28.01.18)*

Anti-dumping Duties on Chinese-Indian Steel

The Trump Administration has decided to slap an anti-dumping duty on the stainless steel flanges imported from China and India after it found in its preliminary probe that both the countries had provided subsidies to the exporters.

The preliminary investigation was launched by the Department on the petition by the Coalition of American Flange Producers, including Core Pipe Products Inc. (Carol Stream, IL) and Maass Flange Corporation (Houston).

"The US will not sit back and watch as our domestic businesses are destroyed by unfair foreign government subsidies and dumping," US Commerce Secretary Wilbur Ross said. The anti-dumping law provides the US businesses and workers with an internationally accepted mechanism to seek relief from the harmful effects of unfair pricing of imports into the US. *(BL, 21.03.18)*



The Economic Times

Trans-Pacific Partnership Deal Signed

11 countries including Japan and Canada signed a landmark Asia-Pacific trade agreement without the US on March 08, 2018.

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will reduce tariffs in countries that together amount to more than 13 per cent of the global economy -- a total of US\$10tn in GDP. With the US, it would have represented 40 per cent.

The original 12-member agreement, known as the Trans-Pacific Partnership (TPP), was thrown into limbo in early 2017 when Trump withdrew from the deal three days after his inauguration. He said the move was aimed at protecting US jobs.

The 11 remaining nations finalised a revised trade pact in January 2018. That agreement will become effective when at least six member nations have completed domestic procedures to ratify it, possibly before the end of 2018. (*www.weforum.org, 08.03.18*)



Canada-India Investment Treaty Failed

Canada has been pushing for the investment treaty which is aimed at safeguarding investor rights of both countries. A number of his cabinet ministers have been visiting India on a regular basis to push India into signing the Foreign Investment Protection and Promotion Agreement (FIPPA).

The issue of concluding the FIPPA was extensively discussed during a bilateral meeting between Indian Prime Minister Narendra Modi and Canadian Prime Minister Justin Pierre James Trudeau.

However, the two sides could not come to an agreement. In 2017, Canadian Minister for International Trade Francoise-Philippe Champagne stated that the FIPPA was almost ready to be signed. He had visited India twice in 2017 in an effort to get the agreement off the ground. (*BL, 23.02.18*)

EU Warned over South American Trade

Negotiators from the European Commission (EC) and the Mercosur trade bloc of Brazil, Argentina, Paraguay and Uruguay will begin a round of talks in Brussels to drive forward negotiations on an ambitious South American trade deal.

The talks have gained extra significance as the EU seeks to frame itself as the leading proponent of global free trade, in contrast to Donald Trump's protectionism. But the EC has

come under competing pressures from EU national governments. At a meeting of senior diplomats in Brussels, the EC faced calls from a number of countries including France, Ireland and Poland to be restrained in its agricultural offers.

However, the EC stated that for a deal to be reached in December, the offers on beef and ethanol would need to rise as part of a compromise. (*FT, 27.02.18*)

UK to Join Pacific Trade Bloc

The UK discussions to join the distant trade group that has lost its biggest member would help reinvigorate the TPP, a key initiative of Barack Obama's administration. UK officials have floated the idea in meetings with counterparts from Australia, New Zealand and other TPP countries in recent months.

The proposal, which is being developed by the UK's Department for International Trade, would make it the first member of the TPP that does not border the Pacific Ocean or the South China Sea.

There was no geographical restriction on UK's joining the TPP. However, UK accession would almost certainly have to wait until the TPP itself has been revised. (*FT, 03.01.18*)

WTO to Check India's Compliance

In 2017, the US approached the WTO, seeking action against India for

non-compliance of the ruling. It claimed that India continued to resort to the "WTO-inconsistent measures".

India, however, asserted that it had already complied with the WTO order and requested it to set up a panel to determine its compliance.

"At its meeting on February 28, 2018 the Dispute Settlement Body (DSB) agreed to establish a panel to determine whether India has complied with a previous ruling regarding its domestic content requirements for solar cells and solar modules," the WTO said in a statement. (*IE, 06.03.18*)

Solar Industry Grooms

US President Donald Trump slapped steep tariffs on imported washing machines and solar panels, dealing a setback to the renewable energy industry in the first of several potential trade restrictions.

The two sets of tariffs were the first signed off directly by Trump since he took office. The decision was taken by the Trump administration after a probe by the US International Trade Commission in 2017 under a rarely used power to take action if imports cause 'serious injury' to a domestic industry.

US groups that use panels as project developers and installers, were dismayed by the plan to impose a tariff starting at 30 per cent and stepping down over the next four years, to protect domestic manufacturers. (*FT, 24.01.18*)

Expanding Maritime Connectivity

It is not without any reason that the theme of the retreat for India-ASEAN leaders was Maritime Security and Cooperation. At the retreat, the PM and ASEAN leaders sought to focus on creating a mechanism for maritime cooperation which would focus on greater maritime cooperation in both traditional and non-traditional domain.

The proposed Indo-ASEAN maritime transportation agreement is yet another move by India to expand its maritime connectivity with the ASEAN nations in response to China’s hegemonic aspirations in the region furthered by Belt-and-Road Initiative.

India is of the view that maritime connectivity, which was the mainstay of India’s ancient trade links with the South-East Asian nations, required ‘urgent modernisation in the context of current geopolitical realities’.

(ET, 26.01.18)

Trump vs. TPP

Echoing his boss’s apparent turnaround in Davos, US Treasury Secretary Steven Mnuchin said the possibility of America re-joining the Trans-Pacific Partnership is ‘on the table.’

But Trump, like Mnuchin, made it clear that any potential return is contingent on the pact being renegotiated. Another potential hurdle is the steel and aluminium tariffs Trump suddenly announced on March 01, 2018 angering the pro-free trade faction of his administration.

In the meantime, Trump’s favoured approach of using bilateral talks to pry open markets has borne little fruit. Key trade partners like Japan and South Korea are avoiding such talks, knowing they would be at a disadvantage in one-on-one negotiations with Washington.

At the same time, China is busy with its own efforts to reshape Asia’s economic order, most notably through the Belt and Road Initiative, President Xi Jinping’s signature infrastructure development programme. *(NYT, 07.03.18)*

US\$89bn Lost in Underuse of EU FTAs

UNCTAD report said that the full potential of European Union free trade agreements (FTAs) remains untapped to

the tune of almost US\$89bn.

A large proportion of the under-utilisation is in exports from the EU to major free trade partners, such as Switzerland and the Republic of Korea, while the biggest share of unused tariff reductions to the EU is in imports from Switzerland, Turkey, South Korea and Mexico.

In total – if all FTAs are considered – the EU’s importers forfeit US\$742mn in reduced tariffs every year. Since 1975, UNCTAD has used ‘utilisation rate’ criteria to monitor the use of trade preferences granted to developing countries under the Generalised System of Preferences (GSP). *(UNCTAD, 29.01.18)*

India Benefits from AIIB Loans

China-led Asian Infrastructure Investment Bank (AIIB) approved US\$4.3bn of funding for infrastructure projects around Asia, more than US\$1bn of which is due to go to schemes in India.

For the AIIB, India offers potentially strong returns: the country is the fastest-growing major economy, and policymakers used to dealing with international development banks who can give approvals relatively quickly.

“India has been a very good partner to work with, and very quick off the mark with bringing projects to the bank,” said Danny Alexander, Vice-President at the Bank and a former UK Cabinet Minister. *(FT, 20.03.18)*

France-China to Reset Trade Ties

Emmanuel Macron, the French President, has used a mix of flattery and threats to try to reset the trade relationship with China, insisting on the need for more ‘balanced collaboration’ with the EU during his first state visit to China.

France is targeting improved diplomatic and trade relations with China as China increases its share of global business and the US shows signs of retreating from the world stage.

Macron took about 50 French chief executives to China and is pushing for export contracts to boost growth at home. But the French President, who is fighting high unemployment and domestic working-class anger towards globalisation, also sought to convey the message that the EU would now demand reciprocity and fairer practices in its trading exchanges.

(FT, 10.01.18)

Forex Trading Up as Volatility Returns

Reported fears that the US President was about to pull the plug on North American Free Trade Agreement (NAFTA), the free-trade agreement between the US, Canada and Mexico, sparked bouts of selling in the Mexican peso and the Canadian dollar.



www.investing.com

The sensitivity illustrates that US trade policy, far from disappearing off the agenda, might become a more prominent issue in the coming months, with serious implications for the equity and bond portfolios of investors. Uncorroborated stories are causing notable intraday forex shifts.

Investors can expect Trump to turn up the protectionist heat when he attends the World Economic Forum in Davos and delivers the State of the Union address.

(FT, 13.01.18)

French Job Market turns Corner

As growth gathers pace, the French economy expanded by 1.9 per cent in 2017, the fastest pace since 2011 — an increasing number of companies are complaining about the lack of skilled workers, according to Ins  e, France’s national statistical institute. And yet unemployment is stuck above 9 per cent of the workforce.

In 2017, between 200,000 and 330,000 jobs were left vacant because companies could not find the right candidates to fill them. Meanwhile, French companies employed about half a million foreign posted workers, a 46 per cent increase from 2016.

Emmanuel Macron, President of France has announced plans to redirect about •15bn in spending into training schemes for the unemployed, who in France are more likely to be poorly qualified or to have spent a long time out of a job — on average about a year. *(FT, 16.02.18)*

Switzerland to become ‘Crypto’ Nation

Switzerland is keen to become a hub for cryptocurrency finance, and Initial Coin Offerings (ICO) in particular.

The Swiss have broken ranks with the many countries keen to curtail the proliferation of ICOs, in which digital or fiat currency is exchanged for digital ‘tokens’ exchangeable for services or assets, or held for speculative purposes. ICO funds are typically used to fund the creation of a business.

The Financial Market Supervisory Authority has introduced a set of guidelines designed to facilitate an orderly, legitimate and growing market for ICO funds.

The ownership of every unit of value in a blockchain network is *(FT, 20.02.18)*

‘Revolutionising’ French Farming

Emmanuel Macron has unveiled a •5bn investment plan for France’s agricultural sector, urging farmers to embrace a ‘cultural revolution’ and move away from EU subsidies and intensive production methods.

The French president also said he would act to curb sales of agricultural land to foreign ‘powers’, responding to farmers’ concerns over recent land purchases by Chinese investors.

How Macron handles France’s powerful agricultural lobby could become a big test of his presidency. He also defended his desire to overthrow the status quo, fuelling fears that he might push to revisit the EU’s Common Agricultural Policy (CAP), its longstanding farm support scheme, in coming budget discussions in Brussels. *(FT, 23.02.18)*

Bonanza for US Investors

US companies are on track in 2018 to return a record US\$1tn to shareholders, as Donald Trump’s tax cuts prompt boards to boost buybacks and dividends at a faster rate than their

capital expenditure, research and development budgets or wage bills.

President Trump and other Republicans have hailed the expected boost to companies’ investment plans from the tax bill that was signed into law in December 2017.

Treasury Secretary Steven Mnuchin said 70 per cent of benefits would flow to employees while Democrats countered that the surge in buyback spending showed investors, big corporations and top executives will benefit far more than their staff. *(FT, 05.03.18)*

Corporate Tax to Fill Brexit Hole

Brussels is urging EU leaders to consider radical options such as raiding corporate tax receipts and money raised from selling carbon emission permits to fill a •15bn a year budget hole left by Brexit.

The departure of the UK, the EU’s third-biggest net contributor to the budget in 2019, coupled with the need to find more money for priorities such as border control and joint defence, mean negotiations are likely to be even more poisonous than previous EU tussles over money.

Jean-Claude Juncker, the President of the EC, warned EU governments, whose leaders will discuss the issue said that they faced stark choices over how to finance the bloc’s next budget, which runs from 2021-2027. *(FT, 15.02.18)*

Gender Gap to take 217 Years to Close

When the theme for 2017 International Women’s Day was set as ‘Be Bold for Change’, little did anyone imagine that Economic inequality is a disturbing problem women face across the world.

So much so that the World Economic Forum in its 2017 edition of Global Gender Gap Report estimated that it would take 217 years for the economic gender gap to be closed, mostly because the gap has widened. Economic inequality includes disparity in pay for the same work done by a man and a woman.

The same report estimates gender gap in politics would take up to 99 years to be closed. The education specific gender gap is

estimated be reduce to parity in next 13 years — but that’s cold comfort when the overall global gender gap can be closed only in 100 years across 106 countries that the report has been tracking since 2006. *(BL, 07.03.18)*



The Hindu Business Line

Power Shift to Asia

The future will be defined by four major forces including a massive economic power shift to Asia, Dominic Barton, Global Managing Partner of McKinsey & Co. The other three factors are technology, the ageing of earth and the search for a new societal deal, he said.

Barton said while this is the time of a phenomenal change, inclusion is going to be as important as growth. However, one of the biggest disrupters is going to be technology, he said. "Everyone has to now think of themselves as a technology company," said Barton.

Technology is changing the way business is done and even sectors like energy storage, material science and medicine will have to embrace technology. "Technology is moving at a pace we have never seen. We have just entered chapter 1 of a 100 chapter book," he said. *(ET, 24.02.18)*

Australia to Lead Arms Exporters

Australia will funnel billions of dollars in state-backed loans to domestic arms manufacturers in a bid to become one of the world's top 10 weapons exporters

The drive comes as Canberra steps up a push to sell military hardware in the Asia-Pacific region and the Middle East, including in Saudi Arabia — a controversial move that has attracted criticism from aid agencies and the opposition.

Australia exports defence equipment per year which includes the Nulka missile defence decoy system, which is manufactured by BAE Systems and deployed by US and Canadian warships, and naval patrol vessels sold by shipbuilder Austal to the Royal Navy of Oman. *(FT, 29.01.18)*

Bitcoin is Down with 50%

Bitcoin is proving that cryptocurrencies can erase wealth as fast as they create it. Its January slide knocked US\$46.1bn off the US\$200bn in market value generated in all of 2017. The drop is the biggest one-month loss in dollar terms in the short history of digital assets.

Since reaching a peak of almost US\$20,000 after the introduction of

Shell Warns of LNG Supply Crunch

Shell, one of the world's largest suppliers of LNG, said renewed investment was needed to meet surging LNG demand from China and other developing countries.

Steve Hill, Head of Shell's Gas Trading and Marketing Business, said the LNG market was absorbing 'quite comfortably' an unprecedented increase in supplies from new projects such as Chevron's Gorgon and Wheatstone developments in Australia.



Global gas demand will grow at an average two per cent per year between 2017 and 2035, double the rate of overall energy demand. In Asia, gas demand will grow at an average three per cent over the period. Gas demand from China increased 15 per cent in 2017 alone and LNG imports rose 50 per cent.

(FT, 27.02.18)

futures contracts on regulated exchanges in the US, a series of negative news has buffeted Bitcoin and rival cryptocurrencies, with losses intensifying since the start of 2018.

A record US\$500mn heist of an alternate coin at Japanese exchange Coincheck Inc. upped the pressure on regulators to probe business practices within the largely unregulated industry, while authorities in trading hotbed South Korea continue to debate more serious measures including a ban on such exchanges. *(Bloomberg, 13.02.18)*

West cannot go a Long Way

Former Reserve Bank of India (RBI) Governor Raghuram Rajan said the Western world must realise they cannot go a long way without the help of the emerging economies and warned that no one would be able to resolve any problem of a 'fractured world' if things are not set right soon.

He said the West must realise that their population is ageing and the demand for their products would mostly come from the emerging world. He warned that the approach of the Western world must change soon for

the good.

About issues facing the Western world, he listed technology, ageing population and climate change.

(Mint, 24.01.18)

Chinese Economy Booming

China's economy is booming. Foreign executives report strong growth, and luxury cars form long lines outside top hotels in cities where coal is king. But economic data are unlikely to reflect the revival because as a series of admissions of falsified data attest, the true extent of the preceding downturn was not revealed.

The main factor masking the recovery is a slump in northern China from 2012-2016 that was never fully recognised. Three regions admit to faking some statistics in 2016 but analysts suggest the impact was deeper and longer than a single year of faked data would suggest.

This matters, because China is on course to become the world's largest economy by any measure. If the country's data are skewed, so are the responses by governments, companies and institutions the world over. *(FT, 17.01.18)*

Global Growth Potential 'Limited'

Global growth appears to have peaked, with demographics, a lack of investment, a slowing in productivity gains and tightening monetary policy placing limits on economic expansion, the World Bank said.

Though the world's economic output grew three per cent in 2017 as more than half of economies accelerated thanks to a rebound in investment, manufacturing activity and trade, the most advanced and developing economies have closed the output gap between actual and potential growth.

In many of the major emerging economies that have for years fuelled global expansion, the underlying potential growth has fallen considerably over the past decade. It is likely to continue so for the next 10 years, World Bank said. (FT, 01.01.18)

Global Stocks Performing Well

In 2017 global stocks enjoyed their best annual performance since the

post-crisis recovery, as accelerating economic growth across the world helped power several major markets to double digit gains.

The FTSE All-World index advanced nearly 22 per cent during 2017, its biggest increase since 2009 and its fourth-best yearly performance since the benchmark started in 1993.

The S&P 500 equity benchmark ended 2017 on a sour note, slipped 0.5 per cent, but has gained over 19 per cent in the past 12 months, its sixth best annual performance over the past two decades. When dividends are included, the flagship US stock index has posted positive returns every calendar month of 2017 — the first such streak in history.

The biggest driver of the roaring stock market rally has been the accelerating growth in the US, Europe and Asia. Japan's Nikkei 225 index rose by a fifth in 2018, while Hong Kong's Hang Seng surged 36 per cent.

(FT, 30.12.17)

Cybercrimes Cost Firms US\$600bn

In the last three years, costs incurred by businesses across the world due to cybercrimes have gone up from US\$445bn in 2014 to US\$600bn by the end of 2017.

This cost, which was around 0.7 per cent of global gross domestic product (GDP) in 2014, is now around 0. per cent of global GDP, said a report released by McAfee, a cybersecurity company, in partnership with the Centre for Strategic and International Studies (CSIS).

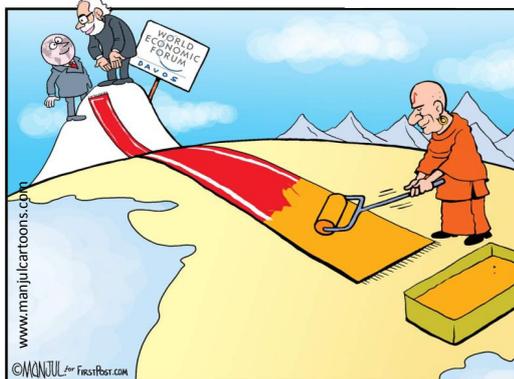
The report titled '*Economic Impact of Cybercrime*', identifies India as one of the emerging cybercrime centres along with other countries like North Korea, Brazil and Vietnam.

Quick adoption of new tech by cybercriminals, rising number of new users online (usually from low-income nations with weak cyber security), increased ease of committing cybercrimes, growing financial sophistication of top tier cybercriminals and expanding number of cybercrime centres are reasons for the growth in cybercrime costs, the report said. (Mint, 23.02.18)

Showcasing 'India Power' at Davos

Prime Minister Narendra Modi used his keynote speech at the Plenary Session of the World Economic Forum (WEF) in Davos to showcase the role that India is set to play in the global economy. Modi made a forceful impact on the global power elite as he addressed three major challenges that mankind faces: Climate Change, Terrorism and Protectionism.

Making a case for eliminating rifts and differences to build a new world order, Prime Minister flagged the rising threat of protectionism, saying that a new layer of tariff and non-tariff barriers were being erected with countries increasingly focusing inward.



Modi also pitched for India as an investment destination, emphasising on efforts to improve the ease of doing business.

"We have made it so easy to invest in India, manufacture in India and work in India. We have decided to uproot licence and permit Raj. We are replacing red tape with red carpet," he said in his keynote address on the opening day of the WEF.

(BL, IE & ET, 23.01.18)

Oil Cash to Boost Wealth Fund

Saudi Arabia is set to use surplus oil revenues to bolster the financial firepower of its US\$230bn sovereign wealth fund, shifting additional billions into the vehicle spearheading Crown Prince Mohammed bin Salman's economic modernisation efforts.

Mohammed Al Tuwaijri, the kingdom's Minister of Economy And Planning, said the change would allow oil revenues to fund the Saudi budget and any excess would then be funnelled into the Public Investment Fund (PIF).

Once a placid backwater in global investing, the PIF has been transformed by the crown prince into an aggressive acquirer of stakes in foreign companies, including the ride-hailing group Uber.

The effort to steer oil profits away from the central bank, known as the Saudi Arabian Monetary Authority, to the PIF sheds light on how the crown prince is moving to take away influence from some of country's entrenched power centres. (FT, 10.03.18)

Recovery is a Chance for the Emerging World

Martin Wolf*

The world economy is enjoying a synchronised recovery. This is good news for emerging and developing countries. It is also an opportunity. A slowdown in the potential rate of growth is affecting many of these countries. This is not only the result of demographic change, but also of a weakening in productivity growth. They need to tackle this urgently.

The World Bank's latest Global Economic Prospects draws the picture. At market prices, global growth is thought to have been 3 per cent in 2017, with emerging and developing countries reaching 4.3 per cent. This year it is forecast to reach 3.1 per cent, with that of emerging and developing countries reaching 4.5 per cent.

Growth indices: World Bank

As always, Asia is expected to grow fastest. Elsewhere, performance is less encouraging. Commodity-exporting emerging and developing economies are forecast to grow only 2.7 per cent this year, up from 1.8 per cent in 2017. The Latin American and Caribbean region is forecast to grow only 2 per cent this year, up from 0.9 per cent in 2017. Brazil is climbing only slowly out of a deep recession.

Growth in sub-Saharan Africa and the Middle East and North Africa is also forecast to remain slow, at 3.2 and 3 per cent, respectively. The good news, however, is that global conditions are conducive to widely-shared growth. Commodity prices have rebounded. Trade has recovered, supported by the strengthening of investment. The volume of world trade is estimated to have grown 4.3 per cent last year and is forecast to grow 4 per cent this year. Capital flows to emerging economies strengthened in 2016 and again in 2017. The recent increase has been in portfolio flows and other lending, but more than half is in the more stable (and more beneficial) form of foreign direct investment.

Global risks and rewards

As the report rightly points out, the evident downside risks of "financial stress, increased protectionism, and rising geopolitical tensions" threaten emerging and developing countries. The biggest have room to respond to untoward external developments. China and India have shown the ability to manage adverse external developments. The same is not true for most other emerging and developing countries, even large ones such as Brazil or Russia.

These countries may hope for a benign external environment; but if another crisis comes, they are likely to be hurt. What they can do is improve their underlying dynamism, which should also increase resilience. It is upon this that the report focuses. The slowdown in potential growth of the high-income countries due to ageing and the



weakening growth of productivity is well known. The not dissimilar slowdown in emerging and developing countries is less so. Yet that slowdown is more disturbing.

Emerging and developing countries have greater need for fast growth than high-income countries, because they are still so poor. Moreover, they should have a larger potential for growth, because of their ability (at least in theory) to catch up on the productivity levels of high-income countries. Yet the potential rate of growth of emerging and developing countries is slowing.

The World Bank forecasts potential growth of emerging and developing economies at an average of 4.3 per cent between 2018 and 2027. This is 0.5 percentage points below the 2013-17 average and 0.9 percentage points below its average of a decade ago.

Stimulating policy environment

Yet, determined policy might offset the forecast slowdown in potential growth. Improving the quality of the labour force is possible, for example. Completion rates in secondary education are closing on levels in high-income countries.

Transforming the quality of the policy environment and of governmental institutions, not least of the legal system and regulation, might also be very helpful. The outcome should be greater entrepreneurial effort, more competition, higher investment and faster improvements in productivity. Emerging and developing economies should use today's buoyant global growth to encourage higher investment and make reforms needed to raise productivity growth. They should act now. Economic sunshine never lasts. They should expect stormier weather ahead.

* Associate Editor and Chief Economics Commentator at the Financial Times; excerpts from an article appeared in the Financial Times on April 17, 2018

The Problem with Plastic

Clive Cookson*

Plastic pollution is everywhere: from the stomachs of baby seabirds to the five trillion pieces littering our oceans.



Beaches that were covered with pristine sand in the 1990s are today littered with plastic debris, washed up from countries around the Pacific Rim and beyond — an estimated 37 million pieces, weighing 18 tonnes.

This is just the tiniest snapshot of our problem with plastics. Every year an estimated eight million tonnes of the material flow into the oceans. And, over the past few months, there has been a huge increase in public and political concern about this marine pollution, to a level where it is approaching climate change as an environmental issue.

While large pieces of plastic waste are all too visible on beaches and in the ocean, toxicologists are sounding an urgent alarm about the smaller fragments, known generally as microplastics, whose dimensions are measured in fractions of a millimetre. Many microplastics come from the disintegration of plastic debris but some are manufactured as “microbeads” to add a slightly abrasive character to health and beauty products, including toothpastes and exfoliating creams. “Nurdles” are another source; these are tiny pellets

used to make plastic products, which find their way into the sea through spills and mishandling.

Fish and birds eat microplastics, which often look like perfect bite-sized morsels of real food, by mistake. Inside the gut they act as poisons, both through their physical presence and because they release toxic chemicals — including internal molecules involved in the plastic manufacturing and external toxins such as DDT and PCBs — that they have absorbed in the sea.

Research evidence

Scientists at Heriot-Watt University in Edinburgh released research this month showing that the shores of Scapa Flow in the Orkneys contain as much microplastic pollution as the Clyde and Firth of Forth: about 1,000 tiny particles and fibres per kilo of sediment. “The fact that a relatively remote island has similar microplastic levels to some of the UK’s most industrialised waterways was unexpected — and points to the ubiquitous nature of microplastics in our water systems,” says Mark Hartl, the project leader.

Although there has been concern about eating seafood contaminated

with microplastics, there is no evidence that consumption has reached levels likely to affect human health. Toxicologists remain more concerned about other harmful chemicals such as mercury in fish. “Microplastics are an insidious long-term problem,” Hudson says, “but we have to be careful not to promote scare stories.”

The solution

Dealing with plastics could have two parts: cleaning up what is already in the oceans (an estimated five trillion pieces of plastic, according to Jennifer Lavers of the University of Tasmania) and stopping more from getting in. Marine scientists, however, say the overwhelming priority must be prevention: cutting quickly the flow of those eight million tonnes every year — as much as half of it carried by rivers.

A growing army of environmental campaign groups, such as London-based OneLess, is demanding government action on plastics. Suggestions include clamping down on single-use plastics, such as water bottles and coffee cups, and facilitating recycling.

* Financial Times Science Editor; excerpts from an article appeared in Financial Times on January 27, 2018

Climate Change and Health

The estimated cost of measures to limit Earth-warming greenhouse gas (GHG) emissions can be more than offset by reductions in deaths and disease from air pollution, a team projected in The Lancet Planetary Health journal suggested.

It would cost US\$22.1tn to US\$41.6tn between 2020 and 2050 for the world to hold average global warming under 2°C.

But air pollution deaths could be reduced by 21-27 per cent to about 100 million between 2020 and 2050 under the 2°C scenario, the team estimated, and by 28-32 per cent to about 90 million at 1.5°C. *(TH, 04.03.18)*

Hiking Solar Share in Energy Mix

As many as 62 member nations of the ISA committed that they will increase share of solar power in their energy mix to deal with climate change and provide energy to the underprivileged in society.

The agenda said that these countries will pursue an increased share of solar energy in the final energy consumption in their respective national energy mix, as a means of tackling global challenges of climate change and as a cost effective solution by supporting and implementing policy initiatives and participation of all relevant stakeholder. *(ET, 12.03.18)*

Fossil Fuel Wasting on Projects

Fossil fuel companies risk wasting almost US\$1.6tn on oil, gas and coal projects that will become uneconomic if the world steps up efforts to tackle climate change, according to an analysis by Carbon Tracker, a climate think-tank, of projected capital expenditure in the energy sector.

The figure represents the difference between the estimated US\$4.8tn of investment needed to meet global fossil fuel demand between 2018 and 2025 under current climate policies and the US\$3.3tn that would be required if the Paris agreement on reducing carbon emissions was fully implemented.

The greatest risk is in the oil sector, where US\$1.3tn of investment would become uneconomic if governments introduced measures such as carbon taxes and more stringent emissions regulation to bring policy into line with Paris. *(FT, 08.03.18)*

Plastic Waste to be Recyclable by 2030

Brussels wants to create an EU market for waste plastic and make all such packaging in the bloc recyclable by 2030 to encourage a so-called circular economy.

Europe produces 25 million tonnes of plastic waste annually, of which two-thirds is used in packaging.

Only five per cent of the value of the output was recovered so between •70bn and •105bn was lost to the economy every year, Katainen the European Commission’s vice-president for jobs and growth, said.

The strategy published on Tuesday builds on a binding EU target that by 2030 the bloc must recycle 55 per cent of plastic packaging, up from 30 per cent. *(FT, 17.01.18)*

Deliberation on Carbon Targets

Germany’s prospective coalition partners are preparing to abandon the country’s 2020 target for carbon emission cuts, in an embarrassing setback for Chancellor Angela Merkel.

The potential shift — jettisoning a goal endorsed by successive governments since 2007 — was presented by a coalition working group on energy, climate protection and environment, according to RND, a network of regional German newspapers. It must still be endorsed by party leaders.

Germany has had a caretaker government since September’s Bundestag elections, in which the conservatives and SPD suffered their worst result since 1949. Cutting carbon emissions was a major sticking point in the previous coalition negotiations between the CDU/CSU, the liberal FDP and the Greens, which unexpectedly broke down in November. *(FT, 09.01.18)*

Cleaners-Perfumes Exacerbates Air Pollution

A research team led by the National Oceanic and Atmospheric Administration (NOAA) concluded that VOCs are emitted from consumer and industrial sources at levels up to three times greater than previous estimates from authorities such as the US Environmental Protection Agency.



They found that in Los Angeles, 42 per cent of the most dangerous fine particles in the air originated from consumer products, 19 per cent from industrial products, and the remaining 39 per cent from vehicle emissions, filling stations and fuel storage.

The Lancet medical journal last year estimated that air pollution killed 6 million people a year worldwide.

(FT, 16.02.18 & DNA, 05.03.18)

War on Plastic Packaging

A pledge by Coca-Cola, to collect and recycle the equivalent of all its packaging by 2030 comes as a number of large consumer groups announce commitments to reduce packaging and make more of it recyclable.

The war on plastic is now ‘part of a marketing plan’ for consumer goods companies says, Ali Dibadj, analyst with Bernstein.

Rob Opsomer at the Ellen MacArthur Foundation suggests that the focus is misplaced and that the most effective thing to do for these major companies is to positively engage with governments on recycling systems. *(FT, 23.01.18)*

Right to Ban Diesel Cars

Germany’s top administrative court has ruled that the country’s cities have the right to ban diesel cars, in a move that could have far-reaching consequences for the owners of 12 million vehicles in Europe’s largest market as well as the country’s mighty automotive industry, which is bracing for a new drop in demand for one its key products.

Diesel cars accounted for 45 per cent of new registrations in January last year. That share has since fallen to 33 per cent.

At issue are the high emissions of nitrogen dioxide (NO2) — a leading cause of respiratory disease — from diesel cars. Some 70 German cities have NO2 levels that exceed EU limits.

(FT, 28.02.18)

Warming Earth, Brutal Winter

Researchers try to explain the record cold snap on the US East Coast. Climate change is making the Arctic warmer. This in turn is likely weakening the jet stream—as a result, cold air is escaping the Arctic and moving to the lower latitudes.

Despite an undeniable overall year-round warming trend, winters in North America and Europe have trended cooler over the past quarter century. Until recently, scientists were puzzled by the causes of this seemingly counterintuitive data. *(IE, 09.01.18)*

US to Return to Paris Climate Accord

Defending his decision announced in June to withdraw from the Paris Agreement on Climate Change, Trump said his primary concern with the Paris climate accord was that it treated the US unfairly and that if a better deal could be reached, Washington might be persuaded to rejoin.

The Paris agreement’s central aim is to strengthen the global response to the threat of climate change by keeping the global temperature rise in this century well below 2°C above pre-industrial levels and to pursue efforts to limit it to 1.5°C. *(DNA, 12.01.18)*

Brussels Sharpens Sustainable Focus

The European Commission said it intends to put forward a legislative proposal by the end of June making it clear that institutional investors and asset managers have a duty to consider sustainability when they make investments. It added that existing EU regulation in this area is “neither sufficiently clear nor consistent across sectors”.

The disclosure came as part of a set of proposals on sustainable finance announced by the Commission as it looks to encourage green investments and mitigate the risks to investors posed by climate change. It estimates that financial losses from extreme weather around the world were •117bn in 2016, an 86 per cent increase since 2007.

Due to this, Brussels is set to lower banks’ capital requirements for their green investments. *(FT, 03.01.18)*

Generating 1 TW Solar Power by 2030

Prime Minister Narendra Modi has set a target of achieving 100 GW (gigawatt) of solar power by 2022, out of the total 175 GW the country plans to produce from renewable sources.

It was announced at the International Solar Alliance (ISA) summit that a Project Preparation Facility (PPF) has been set up by India to assist its development partner countries towards preparation of viable projects that can be considered for concessional financing under Lines of Credit. The PPF fills the capacity gap in identifying a need, conceiving a project and preparing a proper proposal.

French President Macron highlighted that to generate 1 TW (terawatt) of solar power by 2030, as envisaged under the ISA, a funding corpus of US\$1tn will be required. *(BL, 11.03.18; DNA & Mint, 12.03.18)*



Top Cos. Employ Child Labour

MSCI listed 62 companies facing allegations of using underage workers. Apple is one of the listed companies which either directly employing underage worker or engaging suppliers that use child labour.

Companies worldwide have to follow commitment by world leaders at G20 summit in Hamburg to eliminate child labour by 2050.

These children are particularly vulnerable to child labour and need to continually work to ensure that child labour policy is effectivity and consistently applied across our supply chain. *(FT, 27.11.17)*

Glencore Tightens Cobalt Output

Shares in an African copper company controlled by miner Glencore have soared this month as investors scramble to gain exposure to 2018's hottest commodity cobalt.

Toronto-listed Katanga Mining has seen its shares rise by more than 40 per cent, following news that it will more than double production from its copper and cobalt mine in the Democratic Republic of Congo by 2019, a move that will make it the biggest global producer of the mineral.

Katanga is 86 per cent owned by Glencore, which is tightening its grip on the global cobalt market, just as carmakers look to secure supplies of the raw material to fulfil ambitious rollouts of electric vehicles. Demand for cobalt is expected to rise to more than 300,000 tonnes by 2030, up more than 300 per cent from 2017's supply, if the world meets a target of 30 million electric vehicles by 2030. *(FT, 14.12.17)*

Liberal Think Tank's Website Shut

China has times pressured foreign companies like Google and Facebook, which are both blocked in China, to take down certain content. China's censors have gone into over drive to silence displeasure over the Communist party's plans limit, even blocking the phrase "I disagree" on social media.

China's system of online curbs-operated through government departments as well as internet companies' self-censorship-blocked dozens of new terms on social media to

Japan's Migration Boost to Benefit India

Japanese companies are scouring the country for workers and offering more attractive permanent contracts as they struggle to overcome the worst labour shortages in 40 years.

The hiring difficulties highlight Japan's declining population and the strength of its economy after five years of economic stimulus under Prime Minister Shinzo Abe.

Japan will open up its doors to about two lakh IT professionals from India, and issue green cards to settle down in Japan and support the country's rapidly expanding IT infrastructure.

This is being necessitated due to the advent of rapid technological innovations in the country. Japan wants to fill-in this gap and is looking towards India's assistance in IT space. *(FT, 26.02.18 & 13.03.18)*



silence criticism of a proposal that many fear will allow President Xi Jinping to, in effect, become a dictator for life.

Chinese internet users shared more oblique memes to sidestep censors, such as a cartoon featuring Winnie the Pooh the rotund bear who has drawn comparison with Mr Xi- hugging a pot of honey with the caption: "Find the thing you love and stick with it." *(FT, 27.02.18)*

Protect Privacy of Cross-Border Data

The US Supreme Court is set to hear a case involving Microsoft this week that could have a significant impact on both cross-border privacy and the ability of law enforcement agencies to carry out effective investigations in the era of cloud computing.

The case sprang from a US law enforcement agency's attempt to get access to data stored on a Microsoft server in Ireland.

A US appeals court later found in favour of Microsoft but one judge pointed out that the decision would make life easier for criminals, since they would be able to keep information out of reach of investigators by putting

it in cloud services that held information outside the US.

The case has also highlighted a fundamental mismatch between today's laws and the design of cloud services, which often draw on information about a user stored in multiple locations, making it impossible to target data held in a single country. *(FT.26.02.18)*

India to Promote GI Products

The Union Ministry of Commerce and Industry is launching a mega campaign for promoting products closely associated with their geographical origin.

The Coffee Board has applied for registration of Araku coffee a high quality speciality Arabica coffee — under Geographical Indications to protect the unique identity of the coffee grown by the tribal communities of Araku Valley in Visakhapatnam district of Andhra Pradesh.

The GI registry will reportedly examine both claims and take a decision. The Centre, through the Coffee Board, is promoting production of coffee in Araku Valley by implementing the 'integrated coffee development project' and applying for GI. *(BL, 05.03.18)*

Netanyahu Warns Against Radical Islam

Warning against the threat of radical Islam which is challenging 'our way of life', Israeli Prime Minister Benjamin Netanyahu called for an 'alliance of democracies' to strengthen Indo-Israel ties to face up to the threats.

Netanyahu opened the third edition of multilateral geo-political conference Raisina Dialogue, singing the virtues of democracy and pluralistic societies even as he stressed on the need to develop economic, military and political power to emerge as a strong nation.

Prime Minister Narendra Modi accompanied his Israeli counterpart to the event but did not speak, leaving the centre-stage for him. "But underlying it all is the secret sauce of tradition and values, the greatest of those being democracy. Humanity can only be governed with freedom, hence pluralistic societies are critical," he said adding that democracies connect in a natural way. *(ToI, 17.01.18)*

Japan Penalises Cryptocurrency

While the price of bitcoin has dropped, the virtual currency boom has shown no signs of cooling off in the

more august precincts of America's elite universities.

Japan's Financial Services Agency has ordered two cryptocurrency exchanges- Bitstation and FSHO to stop doing business for a month. Five others, including Coin check, were instructed to improve internal controls and report back to the regulator.

The crackdown is likely to prompt a shake-up in Japan's booming market for cryptocurrency trading as weaker exchanges go out of business or team up with larger competitors. Coin check has vowed to repay customers from its own resources but the credibility of that plan is still unclear. *(FT, 09.03.18)*

Boosting US Mining Groups

President Donald Trump has called for an end to US reliance on foreign sources of 'critical minerals' such as battery metals lithium and cobalt, in a sweeping move that could be a boon to domestic mining companies.

The US should boost domestic exploration, production and recycling of critical minerals as well as support efforts to identify technological alternatives. The order could ease the path for US mining projects in minerals

from cobalt and lithium, to rare earths used in magnets for wind turbines and electric car motors.

The US will identify new sources of critical minerals and increase activity 'at all levels of the supply chain', from mining to reprocessing. The US produces a 'negligible amount' of cobalt as a by-product, according to the US Geological Survey. *(FT, 22.12.17)*

China's Development in Poor Countries

China's development push into poor countries is marginalising the role of human rights' bodies, green groups and other non-profits, making it harder for them to play their traditional role as a check on rampant development.

China has embarked on one of the biggest overseas development plans with more than US\$100bn of investments through its Belt and Road scheme to build highways, rail lines, ports and other infrastructure linking up Asia, Europe and Africa.

For example, the World Bank has a strong bias against new coal-fired power stations on environmental grounds, but China's new Asia Infrastructure Investment Bank (AIIB), which is helping finance the Belt and Road plan, is less strident. *(BL, 26.01.18)*

Unemployment to Rise in India-China

The number of jobless persons in India is likely to increase over the next two years with no change in the unemployment rate, the ILO has estimated.

While the Asia-Pacific region will add 23 million jobs from 2017-2019, with employment generation taking place in many South Asian nations including India, the jobless in the entire region will continue to increase, the ILO's World Employment Outlook report pointed.



What is of greater concern is that a high incidence of informality continues to undermine the prospects of further reducing working poverty in South Asia? Such a high incidence of informality is only partially driven by the high shares of employment in agriculture. *(BL, 23.01.18)*

23,000 Dollar Millionaires left India

India has lost the highest percentage of dollar-millionaires to migration since 2014, ahead of China and France, with the crackdown on black money being the most plausible reason for the exodus.

Data Interpreted shows that 2.1 per cent of India's rich left the country compared with 1.3 per cent for France and 1.1 per cent for China.

In India, the anti-corruption drive seems to have created some 'fear psychosis' with tough tax laws, black money drive and crackdown on corruption and non-performing loans pushing some of the rich to move to other countries.

The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, gave one last chance to those holding unaccounted foreign assets one last chance to come clean through a disclosure scheme. *(ET, 19.03.18)*

Migration's Benefits for the Home Country

Ejaz Ghani*

Global labour mobility, particularly in high-skilled jobs, has escalated. The number of migrants with a tertiary degree increased nearly 130 per cent between 1990 and 2010, while migrants of other education levels doubled, and low-skilled (primary educated) migration grew 40 per cent. Digital labour markets and internet-based platforms that connect workers worldwide have also grown.

More than half of the high-skilled technology workers and entrepreneurs in Silicon Valley are foreign-born. Prominent firms with immigrant chief executive officers have included Google, Microsoft and Pfizer. Most high-skilled migrants have come from China and India, and the receiving countries have included the US, UK, Canada, and Australia.

This migration and resultant diaspora connections can be very important sources of brain gain. The positive impact of immigration on knowledge spillovers to the countries of immigrants' origin has been shown for scientific publications and inventions. When researchers immigrate to the US, more patents from the US get cited by patents from the countries of immigrants' origin and more scientific papers published in the US cite papers from the immigrants' origin country. Sending countries gain access to technical information from their overseas community.

These spillover benefits capture only the lower bound of the overall knowledge diffusion due to immigration. The availability of information and communication technologies, and easier access to the internet and smartphones, help individuals become facilitators of knowledge. In addition, immigrants arriving from their origin countries might be better at expressing knowledge in a way that is more easily absorbed in their former homeland. These factors suggest that the amount of knowledge

disseminated due to immigration could go far beyond formal scientific knowledge.

Beyond knowledge diffusion, skilled migrants serve as effective conduits for many forms of global exchange in a networked world: trade, foreign direct investment, finance, knowledge, technology, entrepreneurship, cultural norms and political views.

Diaspora and outsourcing

Using data from oDesk, the world's largest online platform for outsourcing, we examined the role played by the Indian diaspora in the outsourcing of jobs to India (see *Diasporas And Outsourcing: Evidence From oDesk And India* by Ejaz Ghani, William Kerr and Christopher Stanton, World Bank). Data support that the Indian diaspora has facilitated the outsourcing of jobs to India. Yet, the size of the Indian diaspora on oDesk, and the timing of its effects, make it clear that the Indian diaspora was not a very important factor in India becoming the leading country on oDesk for fulfilling work.

In fact, evidence suggests that the diaspora's use of oDesk increased with familiarity of the platform, rather than a scenario where diaspora connections served to navigate uncertain environments. Diaspora-based contracts mainly served to lower costs for the company contacts outsourcing the work, as the developers in India are paid about the market wage for their work. The higher likelihood of Indians outsourcing to India did increase with time. These trends were not just due to diaspora connections overcoming uncertain environments. Instead, utilisation of diaspora connections increases with familiarity, suggesting a longer-term complementarity between online platforms and diaspora connections.

These results lead to the conclusion that diaspora connections continue to be important, even as online platforms



provide many of the features that diaspora networks historically provided (e.g., information about potential developers, monitoring and reputation foundations).

Benefits of migration

Traditional wisdom has viewed migration as exodus of human capital, and a brain drain—something that should be prevented. Evidence seems to suggest otherwise, as migration has promoted global diaspora networks, human capital investment, circular migration, and the transfer of technology. This can enable policymakers to better integrate immigration in both origin and destination countries.

Skilled migration will increasingly involve shorter durations and circular paths in conjunction with increased globalisation, due to greater global integration, lower transportation costs and rising standards of living outside of traditionally advanced economies. Such migrants have made exceptional contributions, propelling the knowledge frontier and spurring economic growth.

In this process, the mobility of skilled workers has become critical to enhancing productivity and economic growth. Improved people allocation can be as powerful as global trade in goods, and financial allocation. Unfortunately, labour and talent has been relatively slow to globalise, given that less than three per cent of global population lives outside their country of birth.

* *Lead Economist at the World Bank; excerpts from an article appeared in Mint on March 15, 2018*

ReguLetter

The January-March 2018 issue of ReguLetter carries cover story entitled, ‘What Would a India-US Free Trade Agreement Look Like?’ which states that if India has to realise the imperative of creating new jobs, the country’s manufacturing base needs to be expanded with a clear trade strategy in mind. The world economy is on the upswing, offering better potential for India’s exports. Faced with a WTO losing its animal spirits, India needs bilateral trade deals with countries with big markets such as the US.

A special feature by Henny Sender opines that China now ranks with the US and Europe as a major hurdle for companies considering global M&A.

Another article by Leana Engelbrecht states that as the South African Competition Amendment Bill seeks to give competition authorities bigger teeth, so we are likely to see greater enforcement and an impact on commercial dealings in the year to come.

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



UNCTAD’s Investment Policy Monitor

22 countries took 32 investment policy measures in the review period (November 2017-February 2018). The share of investment restrictions and regulations increased to 29 percent. Compared to the annual figures in recent years, this records the highest ratio since 2010.

Newly adopted restrictive investment policies include a tightening of investment screening procedures, measures to protect national security and the disapproval of some foreign takeovers. Other restrictions relate to local content requirements and preferences for local suppliers in public procurement procedures.

At the same time, some countries improved entry conditions for foreign investment. Among the most noteworthy measures are liberalisation steps in a couple of industries, the simplification of administrative procedures and new privatisation.

The reporting period also saw a significant corporate tax reform in one country. Regarding international investment treaties, the Monitor finds that two bilateral investment treaties and six treaties with investment provisions were signed, bringing the total number of international investment agreements (IIAs) to over 3320.

In line with UNCTAD’s Roadmap for IIA Reform, all new IIAs contain several reform features, giving particular attention to the preservation of the right to regulate by clarifying key protection standards and refining investor-State dispute provisions. Countries are also starting to move towards the second phase of IIA reform, modernising the existing stock of old-generation treaties.

Several negotiations for mega-regional agreements continue. Depending on how future mega-regional treaties will interact with overlapping pre-existing ones, this can help modernise today’s stock of old-generation treaties.

<http://unctad.org/en/pages/newsdetails.aspx?OriginalVersionID=1706>

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

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- Content
- Number of pages devoted to news stories
- Usefulness as an information base
- Readability (colour, illustrations & layout)

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