ECONOMIQUITY

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The New Political Divide

As political theatre, America's party conventions have no parallel. Activists from right and left converge to choose their nominees and celebrate conservatism (Republicans) and progressivism (Democrats). The conventions highlighted a new political faultline: not between left and right, but between open and closed.

Higher walls, lower living standards

Start by remembering what is at stake. The multilateral system of institutions, rules and alliances, led by America, has underpinned global prosperity for seven decades. It enabled the rebuilding of post-war Europe, saw off the closed world of Soviet communism and, by connecting China to the global economy, brought about the greatest poverty reduction in history.

A world of wall-builders would be poorer and more dangerous. If Europe splits into squabbling pieces and America retreats into an isolationist crouch, less benign powers will fill the vacuum. Donald Trump's *(an American businessman, television personality, author, politician, and nominee of the Republican Party for President of the US in the 2016 election)* revelation that he might not defend America's Baltic allies if they are menaced by Russia was unfathomably irresponsible.

The wall-builders have already done great damage. Britain seems to be heading for a recession, thanks to the prospect of Brexit. The European Union (EU) is tottering: if France were to elect the nationalist Marine Le Pen as president next year and then follow Britain out of the door, the EU could collapse. Trump has sucked confidence out of global institutions as his casinos suck cash out of punters' pockets.

In defence of openness

Countering the wall-builders will require stronger rhetoric, bolder policies and smarter tactics. First, the rhetoric. Defenders of the open world order need to make their case more forthrightly. They must remind voters why NATO matters for America, why the EU matters for Europe, how free trade and openness to foreigners enrich societies, and why fighting terrorism effectively demands co-operation.

They must also acknowledge, however, where globalisation needs work. Trade creates many losers, and rapid immigration can disrupt communities. But the best way to address these problems is not to throw up barriers. It is to devise bold policies that preserve the benefits of openness while alleviating its side-effects. Let goods and investment flow freely, but strengthen the social safety-net to offer support and new opportunities for those whose jobs are destroyed. To manage immigration flows better, invest in public infrastructure, ensure that immigrants work and allow for rules that limit surges of people (just as global trade rules allow countries to limit surges in imports). But don't equate managing globalisation with abandoning it.

As for tactics, the question for pro-open types, who are found on both sides of the traditional left-right party divide, is how to win. The best approach will differ by country. In the Netherlands and Sweden, centrist parties have banded together to keep out nationalists. A similar alliance defeated the National Front's Jean-Marie Le Pen in the run-off for France's presidency in 2002, and may be needed again to beat his daughter in 2017. Britain may yet need a new party of the centre.In America, where most is at stake, the answer must come from within the existing party structure.

Excerpts from an article appeared in The Economist on July 30, 2016

Articles

Highlights

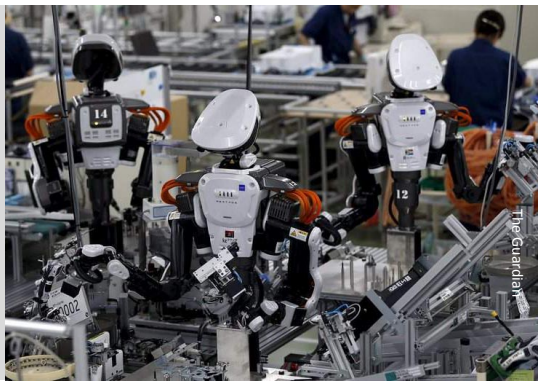
Automation will End the Dream of Rapid Economic Growth for Poorer Countries

Andrew Norton*

For a long time many low-income countries have been able to achieve rapid economic growth through industrialisation. The process usually starts with low-end manufacturing (apparel, footwear, plastics) and entails large numbers of workers moving from low productivity smallholder agriculture to high productivity export manufacturing.

But this development model is being eroded – largely by the increasing automation of industrial production. And, if we don't respond, we risk seeing global inequality spiral ever more rapidly upwards.

Industrialisation has helped to drive an unprecedented convergence between rich and poor country wealth levels. By the early 2000s, 83 developing countries were achieving growth rates more than twice the rate of OECD members.



The rise of the robots

Harvard economist Dani Rodrik argues that industrialisation has been steadily losing its economic development magic. Most rich countries have seen declines in the share of manufacturing in their economies for a long time. But industrialisation made them richer than countries that followed after them.

Rodrik calculates that industrialisation peaked in western European countries such as Britain, Sweden, and Italy at income levels of around US$14,000 (at 1990 levels). India and many sub-Saharan African countries appear to have reached their peak manufacturing employment at income levels of US$700 (at 1990 levels).

More worryingly, Rodrik demonstrates that automation has been taking out more low-skilled jobs than medium or high-skilled ones, increasing inequality. All of this is about to accelerate. As a result we are seeing machines that can do traditionally human things (like driving cars) much earlier than anyone expected. This matters for factories. Automated production lines are nothing new. But increasingly the low skilled human labour that attended mechanised production lines is no longer needed.

If plentiful, cheap labour is no longer as important as it used to be for industrial production you would expect to see more manufacturing being located close to rich country consumers. For poor countries wishing to replicate the path India, Vietnam and China have taken from low income to middle income status this is bad news.

Green growth is the solution

Once it becomes clear that the industrialisation pathway is not going to work as well as it has in the past then developing countries will need an alternative path to prosperity. And if growth rates for poor countries aren't going to be spectacular then it becomes even more important to make sure that the benefits of the growth that is achieved are fairly shared.

This means valuing the development potential of the informal economy, rather than seeking to substitute it. Helping small farmers achieve higher yields, better prices and reduced risk. And focussing on access to finance, energy and infrastructure for the small informal enterprises that form the bulk of the economy in many developing countries.

Women are over-represented in the informal sector worldwide so policies that support, empower and protect the rights of informal women workers are essential for gender equity. An alternative growth path will mean the abundant natural resources of many developing countries will also need to be managed in ways that provide social value without degrading them, and without alienating resources from the communities that use and manage them.

Costa Rica reversed decades of reduction in forest cover through an imaginative range of policy measures including payment for ecosystem services, effectively giving landowners the incentive to conserve forest cover. Rwanda has developed an approach to ecotourism which shares revenues with local populations to support livelihoods while protecting the country's biodiversity.

These kinds of climate and energy initiatives could provide jobs and economic growth for less developed countries, but some of the funding at least will need to come from transfers from richer countries. That means effective taxation of wealth and extremely high incomes. It also means taxing pollution of all kinds – particularly carbon pollution.

It may be unrealistic to expect that these green growth approaches will produce the same rate of growth for poor countries as rapid industrialisation did 20 years ago. But, done correctly, they might temper the tendency towards growing national inequality which that model produced, as well as being more sustainable.

* *Director, International Institute for Environment and Development*
Excerpts from an article appeared in the Guardian on September 20, 2016

G-20 See Global Investment Falling

As the trade remains sluggish, the ministers projected a 10-15 per cent drop in the global cross-border investment. The ministers met in China's financial capital for a talk on how to boost investment cooperation before heads of state convene for a Leaders' Summit in the eastern city of Hangzhou.

Britain's referendum in favour of leaving the EU will press global trade in the short term, China's Vice Commerce Minister Wang Shouwen said. Currency markets have been jarred by Brexit, which caused the pound to plunge and helped drag down China's yuan.

The World Bank cuts its outlook for world gross domestic product (GDP) in 2016 to 2.4 per cent down from the estimated 2.9 per cent. Excess capacity has been a sticking point for China and the US, which has called for the Asian countries to make cuts. *(Mint, 11.07.16)*

China Puts Reform Back on Table

China has returned to reform mode. Having stabilised the economy with a mix of fiscal support and easy monetary settings, china's leaders appear to be reviving a stalled reform push that's key to long term prospects. The pace of reform has been slower than expected.

The People's Bank of China has been upping its communication recently, signalling ongoing use of liquidity tools rather than big gun moves such as cuts to benchmark interest rates or the percentage of deposits banks must lock away as results.

It seemed that Chinese regulators agree that they want to reduce financing costs but didn't agree on the method of doing so. It's the methodology debate that puts National Development and Reform Commission at odds with the People's Bank of China. *(FE, 26.08.16)*

Rising Global Imbalances

The global current-account imbalances are back, bringing with them deflationary forces and slamming the brakes on global growth whereas last year represented an inflection point.

Slightly after the financial crisis, current–account imbalances have started to widen once more, with the world's three largest surplus nations-Germany, Japan and China-increasing both in dollar and GDP share.

The fact that global imbalances are growing again should be ringing alarm bells. As for Germany, this will be the third consecutive year the country has run a budget surplus, exceeding its own constitutional requirements to run a balanced budget. *(BS, 18.09.16)*

British Economy Escapes Brexit Blow

Britain's high streets are heaving with shoppers despite June's shock vote to leave the EU. Retail sales in August reversed much of an immediate post-Brexit vote fall, with retailers reporting their strongest sales in six months.

Before the June 23 referendum, the British Finance Ministry had warned a Brexit vote would mean home-owners facing higher borrowing costs, pushing the economy into a 'DIY recession', and that equity prices were likely to fall. However, Bank of England's interest rate cut while British equity markets rose.

Investors were braced for a global economic shock after a vote for Brexit, but the FTSE 100 index of UK blue-chip companies was about eight per cent higher since the referendum, helped by overseas earnings that will benefit from the fall in the value of the pound.

(BL, 26.08.16)

Non-euro EU Fear Loss of Influence

The UK's exit from the EU will change the relationship between Eurozone countries and those without the common currency. They will be faced with a choice between fast-track adoption of the euro or political and economic marginalisation.

France, Germany, Italy and others pursue initiatives aimed at closer economic, financial and fiscal integration of the Eurozone, the impression could arise that the non-euro countries are stuck in a sort of EU second tier or outer circle.

With the UK inside the EU, the combined GDP of the non-euro member states amounts to about 40 per cent of that of the 19 euro-zone nations whereas without the UK, the GDP of will shrink to about 16 per cent of the Eurozone.

(FT, 22.07.16)

BRICS to Formalise Labour and Social Security Net

The BRICS Labour & Employment Ministerial Declaration has called for strong interventions and action in areas concerning employment generation, social security and formalisation of labour markets, leading to inclusive and sustainable development.

"We recognise that a crucial way in which governments can positively influence labour market outcomes and reduce exclusion and poverty is by providing social protection to its population: those who work, and those who are too young or old or unable to work, require protection from idiosyncratic and economy-wide shocks and unanticipated events," said the Declaration.

The member countries also acknowledged the need to develop a network of labour research and training institutions, capacity-building of various stakeholders and exchange of information in areas of expertise. *(Mint, 29.09.16)*

Saudi Arabia as World's Top Oil Producer

Saudi Arabia has retaken the position of the world's top oil producer from the US, according to the International Energy Agency. While Saudi Arabia has added 400,000 barrels a day of output from low-cost fields since May, about 460,000 barrels a day of 'high-cost' production has been shut down in the US.

US has been the world's largest producer of crude and other liquid hydrocarbons since April 2014 following the shale oil boom.

The US output stood at 12.2 million barrels a day to now a record of 508 whereas Saudi Arabian crude supply climbed to 10.6 million barrels a day higher than the year-earlier period.

(FT, 13.09.16)

Market-Based Approach to Drug R&D

The high-level panel was set up in 2015 by UN Secretary-General Ban-ki-moon to find solutions to the 'policy incoherence' between rights of investors, international human rights law, trade rules and public health needs.

The final report calls for de-linkage of R&D costs and drug prices-at least in areas where the system is failing, such as tropical diseases and the hunt for new antibiotics against 'superbug; resistant bacteria. The report attacks the 'implicit threat' it says are sometimes used by Western governments and companies to stop poorer countries from exercising their right to over-ride drug patents under WTO rules.

The panel also calls for greater transparency on the true cost of developing a new drug, citing estimates of anything between US$150mn and US$4bn per medicine. *(BL, 13.09.16)*

EU Tax Move on Apple

Dutch Finance Minister Jeroen Dijsselbloem urged Apple to 'get ready' to pay up, as he and counterparts from other EU nations lined up behind a finding that the technology giant owes billions of euros due to more than a decade of improper low taxation.

Apple's bill could reach •19bn with interest, and both the company and Ireland, Apple's European headquarters are appealing the European Commission (EC) ruling. But on an EU Finance Ministers' meeting focussed on ways to harmonise tax rules for international companies, Jeroen said that these 'have an obligation to pay taxes in a fair way'.

Apple will have to pay back taxes both in the US and Europe. The Apple case is only one of several faulting international companies for exploiting European exemptions to pay minimal taxes. *(FE, 10.09.16)*

BRICS Arbitration Platform

Finance Minister Arun Jaitely made a strong case for BRICS nations developing their own arbitration mechanism to cut reliance on redressal centres in developed nations whose awards at times tend to be loaded against developing countries.

"Many countries fear, and have been suggesting, that the awards emerging out of these arbitration are at times loaded against the emerging economies. Therefore, need has been felt to develop parallel arbitration centres across the world. Let alone London, let alone Paris, now we see Singapore emerging as an emerging arbitral centre" said Jaitely.

He said "India as already moving towards ending treaty shopping in investment". For dispute settlement, the first recourse should be to reach out to local courts and if the local courts fail to deliver within five years, arbitration should be considered. *(IE, 27.08.16)*

Brexit Delay Hits Investment

The head of one of German's leading industry lobby groups has warned that delays in launching the UK's Brexit negotiations are prolonging the uncertainty hanging over the British economy and hitting investment plans.

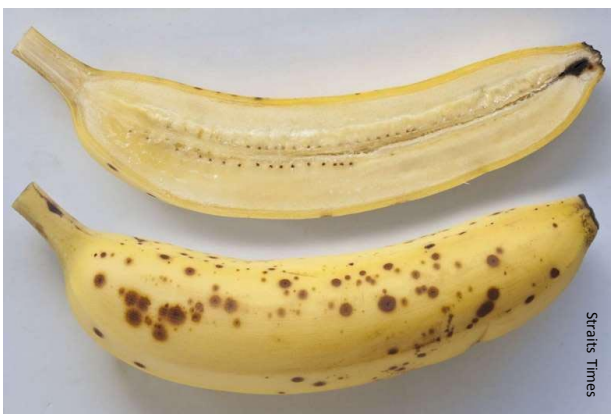
Schweitzer, Head of DHIK, whose organisation represents 3.5 million companies and entrepreneurs, said it was clear that the economic effects of Brexit would be 'negative' for the EU and 'very negative' for the UK: "Great Britain will suffer economically. That is not a threat but simply the logical consequence of the process".

According to government figures, the country has about 600,000 job vacancies- up by 1,00,000 in two years amid economic growth and an ageing population.

Economists estimate that of the 1 million-plus migrants who have arrived since early 2015, some 400,000 are of working age and can be prepared for employment. *(FT, 07.09.16)*

Fungi to Wipe out Bananas in 5-10 Years

Bananas, one of the world's top staple foods-may become extinct in just five to ten years due to fast advancing fungal diseases, scientists have warned. Researchers at the University of California, Davis discovered how three fungal diseases have evolved into a lethal thread to the world's bananas.



About 100 metric tonnes of bananas are produced annually in nearly 120 countries. Already, Sigatoka-a three-fungus disease complex-reduces banana yields by 40 per cent. The Sigatoka complex's three fungal diseases-yellow sigatoka (Pseudocercosporamusae), emusae leaf spot (Pseudocercosporaemusae) and black sigatoka (Pseudocercosporafigiensis)-emerged as destructive pathogens in just last century. *(FE, 16.08.16)*

Factories Struggle as World Sputters

British manufacturers slammed on the brakes after the Brexit vote and growth eased in the euro zone, surveys indicated, with factories in China, Japan and elsewhere in Asia offering only crumbs of comfort.

The latest UK Purchasing Managers' Index, compiled by Markit, will give the Bank of England more impetus to cut interest rates after it surprised markets by holding fire in July but said most policymakers were leaning towards stimulus in August.

Global stocks hit their highest almost in a year as investors pared back expectations of when US interest rates would rise.

The Markit/CIPS UK manufacturing PMI slumped to 48.2 in July from June's 52.4, its lowest since February 2013 and well below the 50 mark that separates growth from contraction.

(Mint, 02.08.16)

25 Years of Unbroken Growth

Economists say luck and good management have enabled Australia to sidestep global crisis, including the 2008 financial crisis that hobbled other countries. Australia is on course to surpass the Netherlands' modern-era record of 26 years of growth during 1982-2008, achieved on the back of North Sea Oil.

"Much of the success is due to reforms that were put in place in the 1980s and 1990s, which have made the Australian economy more flexible," said Paul Bloxham, HSBC economist. These include sharp reductions in tariffs, deregulation of the labour market, the floating of the Australian dollar and deregulation of the financial system.

"The RBA was the only central bank in the developed world which didn't make the mistake of leaving interest rates too low for too long in the early 2000's," he said. *(FT, 01.07.16)*

Austerity Traps Thousands in Nightmare

Thousands of foreign labourers from South Asia face the grim uncertainty of how long their plight will continue due to companies squeezed by the kingdom's economic slowdown. Under a system of sponsorship known as *kafala* that leaves many workers at their employers' mercy, they are also not being given the exit visas.

The conditions in which workers from Bangladesh, India, Sri Lanka, Pakistan and the Philippines wait are fetid and cramped. They sleep in a tiny concrete room with dirty toilets.

Mohammed Khan, an Indian nurse from Mumbai at the Saudi Oger camp, is to treat patients suffering from diabetes, hypertension and high cholesterol without medication.

(Mint, 10.08.16)

Millions of SE Asian to Lose Jobs

About 137 million workers or 56 per cent of the salaried workforce from Cambodia, Indonesia, the Philippines, Thailand and Vietnam fall under the high risk category of losing their jobs in the next two decades, on ILO study found.

Southeast Asia is home to more than 630 million people and is a hub for manufacturing sectors, including textiles, vehicles and hard-disc drives. Of the nine million people working, 64 per cent Indonesian workers are at a high risk of losing jobs to automation, 86 per cent in Vietnam, 88 per cent in Cambodia. Vietnam is the second-largest garment supplier behind China to the US.


Reuters

The UN agency said technologies including 3D printing, wearable technology, nanotechnology and robotic automation could disrupt the sector. Southeast Asia's automotive sector, the seventh-largest producer of vehicle in 2015 globally, employs more than 8,00,000 workers. *(FE, 07.07.16)*

FAO-OECD Sees Stability in Food Prices

In the annual Agricultural Outlook report, the FAO and OECD said food consumption would be tempered by moderate economic growth and the trend for households to allocate extra income to non-food items, includes developing countries.

The increased demand for food is projected to be satisfied through productivity gains, with modest changes in crop areas and livestock herds. For crops, yield increases would account for 80 per cent of production growth, the remainder coming from the crop areas, notably Brazil and Argentina.

Developing countries would continue to lead consumption growth due to rising populations and higher per capita spending. This would cut the number of undernourished people to 8 per cent of the global population, or under 650 million, in 2025 from 11 per cent, or nearly 800 million as estimated. *(BL, 04.07.16)*

VW Warned on 'Dieselgate' Payouts

Brussels has upped the ante in its clash with Volkswagen over the German carmaker's refusal to compensate VW car owners in Europe caught up in the 'dieselgate' scandal, with officials warning there could be negative consequences for the whole automobile industry.

The EC is strongly objecting to how VW has offered US owners of diesel cars that were equipped with software to cheat emissions tests up to US$10,000 each in compensation, but nothing to their European counterparts.

VW reached a landmark US$15.3bn settlement last week with regulators and lawyers representing US owners of its diesel cars. Affected car owners in the US will be given a minimum of US$5,100 each in compensation by VW. *(FT, 08.07.16)*

G20 Skips Climate Change Deadline

US-China pressure notwithstanding, the final G20 communique has skipped mentioning a December 2016 deadline for its 20 member countries to ratify the Paris Agreement.

It has also avoided specifying a 'date certain' for ending fossil fuel subsidies. Both moves were strongly opposed by India during the three-day sherpa meetings before the leaders' summit.

The Prime Minister's sherpa Arvind Panagariya explained that India was not ready in terms of domestic actions to ratify before 2016 end, but will do so at the earliest.

"There was an issue with respect to the G20 endorsing a proposal that all members would ratify the Paris Agreement by 2016. On that, there were some disagreements. So the final communique plans to welcome countries that plan to ratify by 2016, but others have said they would try to proceed as soon as possible," he said.

(FE, 06.09.16)

India Ratifies Paris Climate Agreement

India decided to ratify the global climate change pact 'in the context' of its development agenda, availability of means of global climate finance, an assessment of how the rest of the world is doing to combat climate change, and predictable and affordable access to cleaner source of energy.

The caveat leaves the window open for India to rethink its ratification or targets, in case the commitments from the developed world on providing finance and technology to developing countries do not come through.

It also leaves the option open for India to revisit the ratification and its commitments under the agreement, in case any key country reviews or revises its commitments under the agreement, such as the US.

(BS, 29.09.16)

'Polluter Pays' Principle

Power Minister Piyush Goyal reiterated India's stand for the implementation of 'Polluter Pays' principle on international carbon emissions.

Goyal also sought to downplay the 'song and dance' around the fact that the US and China have ratified the climate accords signed in Paris, saying that as the largest polluters, it was incumbent upon these countries to ratify the agreement.

"Even today, the US and China are putting out 39 per cent or 40 per cent of the GHGs in the world," Goyal said while addressing a conference on sustainability organised by CII.

(TH, 15.09.16)

Farming 'Hotspots' Carry Air Pollution Risk

The air around farming 'hotspots' can be as risky to breathe as that in a traffic-choked city, according to Lidwien Smit, Senior Author of a year-long government-funded study in the Netherlands.

"If you talk about air pollution, people always think 'Oh, that's an urban problem' and of course it is," said Dr Smit, an environmental epidemiologist at Utrecht University. Intensive farms in particular should be subjected to the same strict pollution rules as other industries, she added.

Scientists have already established that agriculture helps create the haze pollution that drifts across many countries. The Dutch study is one of the first to use physical health tests to measure the impact of farms on the health of nearby residents. *(FT, 03.09.16)*

Air Pollution Costs Trillions

In a major study of the economic costs of indoor and outdoor pollution, the World Bank found that in 2013 – the year from which the latest available estimates date – China lost nearly 10 per cent of its GDP, India 7.69 per cent and Sri Lanka and Cambodia roughly 8 per cent.

Rich countries are also losing tens of billions of dollars a year through lost work days and welfare costs from premature deaths.

Drawing on data from the Institute for Health Metrics and Evaluation, the bank said that air pollution now kills 5.5 million people a year prematurely, or one in 10 people worldwide.

(TG, 08.09.16)

US, China Endorse Paris Climate Agreement

China and the US ratified the 2015 Paris agreement to cut global greenhouse gas (GHG) emissions ahead of the G20 summit. This marks a major step toward the enactment of the pact making way for other countries to follow suit.

The world's two biggest emitters account for 38 per cent of GHG emissions, with China, the G20 host, alone accounting for 20 per cent of emissions, as per data made available by Climate Interactive and MIT Sloan. A note put out by the organisations also point out that the pledges of China and US to the Paris Agreement would deliver half of the agreement's climate impact.

Lou Leonard, Senior Vice-President, Climate & Energy, World Wildlife Fund, observed that by so quickly ratifying the Paris Agreement, President Barack Obama and President Xi Jinping are signalling to other countries that the Paris Agreement can come into force in 2016. *(TH, 08.09.16)*

Climate Change Impacting Coffee

Climate change is going to halve the area suitable for coffee production and impact the livelihoods of more than 120 million of the world's poorest people who rely on the coffee economy, according to a new report by the Climate Institute, commissioned by Fairtrade Australia & New Zealand.

Climate change is already impacting coffee crops around the world, according to the report. In Tanzania, where 2.4 million people's livelihoods rely on coffee, production has fallen by about 137kg per hectare for every 1C rise in the minimum temperature on farms.

Extreme temperatures and unusual high-altitude rains have also sparked costly waves of pests and disease through coffee farms. In 2012, coffee leaf rust affected half of the coffee across Central America – some producers in Guatemala lost up to 85 per cent of their crop. *(TG, 29.09.16)*

G20 Score Poorly in Climate Goals

Global GHG emissions of G20 countries are continuing to increase, a report from Climate Transparency, an open global consortium, has shown ahead of the 2016 G20 Hangzhou summit held in China on September 04-05, 2016. Between 1990 and 2013, the absolute carbon dioxide emissions of G20 countries, which account for three-fourths of global CO_2 emissions, went up by 56 per cent.

India received a 'medium' rating with good scores for emissions, share of renewables in Total Primary Energy Supply (TPES) and climate policy, but poor scores in carbon intensity, share of coal in TPES and electricity emissions.

The worst overall performers were Australia, Argentina, Japan, Russia, Saudi Arabia and South Africa.The carbon intensity of the energy sector was found increasing, due to the strong and continuing role that coal plays.

(TH, 03.09.16)

'Public Health Emergency'

More than 90 per cent of the global population lives in a place where the air does not meet World Health Organisation safety guidelines, according to a study from the UN agency that warns of a 'public health emergency' created by rising pollution levels.

The most detailed research on outdoor pollution in individual countries undertaken by the organisation shows an estimated 3 million deaths a year can be linked to dirty air from coal-fired power plants, old cars, factories and other sources.

Millions more are affected by smoke inside their homes from cooking stoves or fires fuelled with wood or dung, meaning a total of 6.5 million deaths were associated with air pollution in 2012, the agency said. *(FT, 28.09.16)*

Green Fund Investing in Wrong Projects

A US$10bn funding body central to the Paris climate change accord has been saddled with cumbersome board rules that mean it has backed the wrong sort of projects, its former executive director HélaCheikhrouhou has warned.

The Green Climate Fund, to which the US, the UK, Germany and other developed nations have contributed, is supposed to bolster the agreement by channelling billions of dollars from richer nations to help poorer countries cut their emissions and deal with the impact of global warming.

It has so far approved US$424m of funds for 17 projects, including a wetlands resilience effort in Peru and a water supply venture in Fiji. But Cheikhrouhou said the fund was not supporting the transformative projects it was supposed to be backing.

(FT, 05.09.16)

Climate Change Displaced Millions

The devastating effects of climate change have displaced millions of people from rural Bangladesh. Hundreds of thousands of people each year flee to Dhaka, one of the most densely populated cities on earth, to seek work and shelter.

Dhaka's slums are overcrowded and expensive, and many new arrivals are forced to make their homes wherever they can find space. Displaced primarily from Bangladesh's southern and eastern regions, these are climate change refugees, called the 'pavement dwellers' of Dhaka — soon to be the largest megacity in the world.

As the effects of climate change increase, almost half a million people flee to this expanding city every year. Currently, 7 million people, representing 40 per cent of Dhaka's population, live in the slums, riverbanks, parks, and trains stations of the city.

(Diplomat, 10.08.16)

July Hottest Month in Modern Times

Soaring temperatures worldwide made July the hottest month in modern times, setting a new high mark for global heat in 137 years of record-keeping, said US government scientists.

Scientists say the heating trend is being driven by fossil-fuel burning, and is made worse by the ocean warming phenomenon known as El Nino, which came to an end last month. July's global average of temperatures taken over land and ocean surfaces was the 'highest for any month in the NOAA global temperature dataset record, which dates back to 1880.'

July also marks the 15th consecutive month of breaking monthly temperature records, "the longest such streak in the 137-year record," NOAA said. *(JT, 18.08.16)*

Walking into an Ecological Wilderness

Balakrishna Pisupati* and **Mathis Wackernagel****

Building a sustainable world will take nothing less than transforming our individual and collective mindsets and setting our imaginations free.

Today is a troubling date. It marks the day when, according to the Global Footprint Network, humanity has already used up all of the renewable natural resources that the planet can replenish this year.

Worryingly, this year's milestone, which is known as Earth Overshoot Day, has been coming around earlier and earlier each year, a sign that humanity's consumption of renewable natural resources continues to rise.

Mind the gap

If by today humanity's demand on Earth's biocapacity so far in 2016, has started to exceed what the planet can renew in the entire year, then from tomorrow onwards we will have already begun to eat into the resources earmarked for 2017.

Currently, humanity demands 64 per cent more from nature than the Earth can renew. We make up for this gap by depleting our planet's natural capital, for instance through overfishing, overharvesting forests and emitting more carbon into our atmosphere than can be absorbed.

We can measure the scale of our ecological overshoot by comparing humanity's "ecological footprint" (our demand for renewable natural resources) to the planet's biocapacity (nature's ability to regenerate these resources).

India has the third-largest ecological footprint in the world, trailing only China and the US. It would take 2.6 India's to support the population's current demand on nature. Yet, at the same time, India has the 25th lowest ecological footprint per person.

In line with global trends, India's expanding ecological footprint is driven in large part by the burning of fossil fuels. As the world's third-largest greenhouse gas emitter after China and the US, India's rising consumption of fossil fuels accounts for 53 per cent of the country's demand for natural resources and is a major factor behind the 100-per cent increase of India's ecological footprint between 1961 and 2012.

One of the greatest success stories in India's modern history is that the national supply of biological resources has remained relatively constant. Agricultural productivity has increased almost in lockstep with the country's booming population.

However, this has not prevented India from operating at an increasing ecological deficit. The main culprit is the country's carbon footprint because other demands on nature can be mostly met and supported by the natural ecosystems that exist within India's boundaries.

Not forever

Globally, the longer we go on pretending that natural resources are unlimited. Crises around the world have often been framed as ethnic or religious conflicts, but frequently the cause has been an erosion of resource security followed by economic, then social and political hardship. It is not too late to recognise these patterns and take effective preventive action.

Thankfully, change is afoot. The Sustainable Development Goals adopted in New York last September and the Paris Climate Agreement signed last December have given us the best reason for hope to date. If we are to adhere to the Paris climate goals adopted by nearly 200 countries, then carbon emissions will need to gradually fall to zero by 2050.

Change we must

The Paris Accord calls for a new way of living on the only planet we have. Fortunately, current technology already makes this new path possible. And economic analysis suggests that the overall benefits of this new path exceed the costs involved as emerging sectors like renewable energy are stimulated and the risks and costs associated with stranded assets are reduced.

Finally, we may bemoan the hesitations of politicians, at home and around the world, and their seeming lack of follow-through. But let's bear in mind that the future that we want is not the responsibility of governments alone.

Balancing how much renewable natural resources we use with how much is generated is paramount if humanity is to thrive on our beautiful planet. Each of us has the opportunity to participate: the choices we make every day in our personal lives and as citizens actively contribute to the world that we will leave future generations.

Building a sustainable world will take nothing less than transforming our individual and collective mindsets and setting our imaginations free.

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Excerpts from an article appeared in The Hindu Business Line on August 07, 2016

Bilateral Investment Pacts have not Worked

Pradeep S. Mehta* and **Smriti Bahety****

India has decided to terminate about 57 bilateral investment treaties (BITs) whose initial duration has expired, or is soon to expire, and issue joint statements for the ones in force.

The reform of the IIA system has swept many countries, including Australia, South Africa, Indonesia, and changes are likely in the EU as well. What are the reasons for the growing scepticism? What lies ahead for India and the world?

Globally, the international investment agreement (IIA) regime is undergoing a change and the developments in India are no exception.

The Hindu Business Line

White case fallout

In the 1990s, following the economic reforms, India signed a number of BITs and like most countries did not fully understand the consequences. In 2012, India lost an investor-state arbitration dispute to White Industries. White Industries started the proceedings under the India-Australia BIT and through the 'most favoured nation' (MFN) clause took advantage of the more favourable investor protections in the India-Kuwait BIT.

The tribunal held that the court delays in India breached the "effective means" standard in the India-Kuwait BIT and as such India was liable to pay damages plus costs and interest to White Industries. This was perhaps the turning point in India's approach to BITs. Consequently, India's new model BIT of 2015 excludes the MFN clause, taxation, compulsory licences and intellectual property rights from its purview.

India, however, is not alone in changing its approach to IIAs. At a recent meeting of UNCTAD's World Investment Forum in Nairobi, both the developed and developing countries, including Australia, Canada, China, South Africa, EU, called for the IIA regime to be more balanced between investor protection and host states' right to regulate, and enforce rights and obligations.

Countries in Europe are exploring the possibility of a permanent multilateral investment court. There is a growing voice for greater transparency, tightened definitions and reforms in the ISDS system.

Endless confusion

Host countries increasingly feel that BITs lean in favour of protection for corporations and compromise the regulatory space of the governments.

A need has thus been felt to include investor obligations and responsibilities, and to narrowly define the rights in the text of such agreements. There has been an exponential increase in investor-state arbitrations. As evident from the cases against Argentina in the wake of its economic and political meltdowns, the tribunals tend to come out with conflicting opinions.

In the context of ISDS, is it worth mooting whether a permanent investment court may be feasible. Such a permanent court may have a system of appeals within its framework or it may only be an appellate tribunal. This will bring some certainty in the system and prevent divergent or conflicting opinions on the same legal provision. However, since there are about 3,000 different BITs in force with differing provisions, there may be a problem of coherence and cross-application of arbitral awards.

For a balanced system

A parallel approach could be that countries undertake specific commitments to provide speedy adjudication of disputes in domestic courts before invoking international arbitration. This too has been met with resistance thus far. Countries may also negotiate for compulsory alternate dispute settlement mechanisms like mediation in the BITs.

While the discussion is ripe on reforming the IIA regime, it is worth reaffirming the need for research for finding the best possible approaches to BITs. Such an approach must balance investor rights and countries' regulatory space. At the same time, the new age BITs should be mindful of the sustainable development goals and find ways to encourage responsible investment.

With the blurring distinctions between strictly capital-importing and capital-exporting states, all countries must proactively seek a more balanced IIA system. This requires greater cooperation and open-mindedness on part of the global community. India has indeed taken the first step in reforming its IIA regime and it should be the starting point of a larger debate.

Time will tell how successful it is in setting the tone for the second phase of BITs across the world. This is notwithstanding any discussions on a plurilateral investment agreement at the WTO, as is anticipated by many. The future of international investment policy discourse will be quite interesting.

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Excerpts from an article appeared in The Hindu Business Line on August 24, 2016

France Urges EU to Cease US Trade Talks

France has called for the EC to end talks on a transatlantic trade deal, amid mounting frustration over Washington's demands and growing popular disenchantment with free trade. Matthias Fekl, French Trade Minister, said he would make the formal request to

halt the talks when 27 EU members meet in Bratislava to discuss the bloc's future following the Brexit vote in June.

"There is no political support from France for those negotiations," said Fekl. "The Americans give nothing, or just crumbs... We need a clear and definitive stop to these negotiations to start again on good bases."

The threat echoed comments from Sigmar Gabriel, Germany's Deputy Chancellor, who said that the negotiations over the so-called Transatlantic Trade and Investment Partnership, or TTIP, had failed.

(FT, 31.08.16)

More Discriminatory Trade Measures

Between 2009 and 2015, three times as many discriminatory trade measures were introduced as liberalising ones. In the first 10 months of 2015 alone, the latest Global Trade Alert database recorded 539 such initiatives adopted by governments worldwide that harmed foreign traders, investors, workers or owners of intellectual property.

Efforts to control trade flows have grown increasingly sophisticated. Most governments no longer impose tariffs or other crude roadblocks that would violate WTO rules. Instead countries funnel aid to domestic industries and adopt new financial policies, safety and environmental standards to block foreign products.

In an environment of tepid economic growth, governments have good reason to try and maximise their share of a shrinking pie. At the same time, countries that face painful structural adjustments have been reluctant to bear the pain.

Unless they can quickly recover the cooperative spirit they demonstrated in response to the financial crisis tomorrow's economies are certain to be even less open than today's. *(Bloomberg, 13.09.16)*

Free-Trade Backers Turn Bashers in US

Democrats and Republicans agreed on almost nothing at their conventions this month, except this: Free trade, just a decade ago the bedrock of the economic agendas of both parties, is now a political pariah. From Bernie Sanders to Hillary Clinton to Donald Trump, support for trade, including the Trans-Pacific Partner, has disappeared.

The fragile pro-trade coalition on Capitol Hill once led by Republicans is also unspooling, and congressional approval of the Trans-Pacific Partnership, which would include 12 countries that together account for roughly 40 per cent of the global economy, seems increasingly unlikely during the Obama presidency. Republican leaders in both chambers are not planning to bring it up in 2016.

(BS, 01.08.16)

The Lure of Protectionism Will Grow

One of the surprises of the 2008 global financial crisis is that the 'great recession' that followed did not trigger much of a protectionist backlash.

But with the protracted period of low growth and rising inequality is now threatening the consensus in favour of globalisation and regional integration that has underpinned economic thinking for decades.

In response to nationalist political winds, an increasing number of governments have been tilting away from their traditional free trade orientation and toward a more insular stance.

In the shorter term, these developments represent yet another headwind to global trade and growth. To minimise the adverse consequences, countries should make credible commitments to enacting more detailed measures consistent with the rhetoric and commitments made at previous gatherings. *(Bloomberg, 01.09.16)*

Mexico's Bank Warns on Protectionism

Agustín Carstens, the Governor of the Bank of Mexico, said that anti-globalisation demands were not confined to the US, where Donald Trump has been vowing to rip up trade deals, but were visible across a range of G20 countries.

By mid-August G20 governments had imposed 350 new measures that discriminated against foreign commercial interests, almost four times the number they implemented in 2009.

"The state of the world, the rate of growth of the world economy, is not such that we could afford to limit the growth potential through protectionist measures," he said, observing that there were 'yellow lights' flashing in a range of countries on trade. *(FT, 30.08.16)*

G20 to Combat 'Populist Backlash'

G20 leaders resolved to combat a 'populist backlash' against global trade, and highlight the benefits it has brought including lifting millions out of poverty, International Monetary Fund's (IMF) Christine Lagarde said.

Lagarde said that the benefits of free trade in terms of lifting productivity, giving people choices and hauling them out of poverty were being drowned out by the chorus of opposition.

There was "a determination around the room to better identify the benefits of trade in order to respond to the easy populist backlash against globalisation," the IMF managing director said after a summit in China. But in a concession to the rising sense that many have been left behind, she said that globalisation "has to benefit all, not a few". *(ToI, 05.09.16)*

Brazil to Launch Trade Case Against US

Brazil will most likely launch a new trade dispute against the US at the WTO over its decision to raise duties on some Brazilian steel imports, said Trade Minister Marcos Pereira.

The US has accused Brazilian producers of benefiting from hefty subsidies of seven export promotion programs to the detriment of US steelmakers. A preliminary rule by US International Trade Commission (ITC) ordered an increase in duties on Brazilian cold-rolled steel.

Brazil will also challenge a separate decision by ITC to raise anti-subsidy duties to just over 11 per cent on hot-rolled flat steel imports from Brazil.

The latest clash could again raise tensions between the Americas' two biggest economies as trading partners worldwide tussle over every little bit of market share amid a sluggish global economy. *(Reuters, 13.09.16)*

Digital Trade Key to New Growth Era

The G20's conclusion on the need to 'civilise capitalism to counter populists' is short on specifics on what can be done to ensure that more people can benefit from global trade integration.

The internet is already making the face of world trade more inclusive by enabling small businesses to access global markets like never before. Studies show that small- and medium-sized enterprises (SMEs) that use online platforms are about five times more likely to export than those in the traditional economy.

The drive to civilise capitalism must start with a concerted push to address remaining barriers to internet-enabled commerce. Today's trade rules are not always well-suited to supporting the growth of SME ecommerce. *(FT, 12.09.16)*

US Affirms Hot-rolled Steel Duties

The US ITC handed another victory to American steelmakers, affirming most of the recent anti-dumping and anti-subsidy duties on hot-rolled flat steel imports from Australia, Brazil, Britain, Japan, the Netherlands, South Korea and Turkey.

The Commission rejected anti-subsidy duties of about six per cent against hot-rolled steel from Turkey, but affirmed anti-dumping duties of about six to seven per cent against Turkish-made hot-rolled steel.

The vote locks in import taxes on the affected products for five years. The duties are among a series of US actions aimed at fighting a glut of steel imports as China's economy slows and demand remains weak elsewhere.

(Reuters, 13.09.16)

India Loses Solar Dispute to US

India lost the appeal it had filed against a World Trade Organisation (WTO) panel ruling that the country's power purchase agreements with solar firms and domestic content requirements (DCR) were 'inconsistent; with international norms.

The decision of the WTO's Appellate Body in favour of the US, which had raised the issue of compulsory sourcing of solar panels and modules for power producers under the Jawaharlal Nehru National Solar Mission (JNNSM), will deal a blow to India's fledgling domestic industry which includes companies such as MoserBaer and IndoSolar Ltd.

Although the JNNSM mandates that just a small fraction (about 8,000 MW of a total of 1,00,000 MW) be created with domestic modules and cells, it meant an assured minimum market for their products. *(ET & BL, 16.09.16)*

India Files Plaint at WTO against US

India has filed a new dispute against the US at the WTO challenging the domestic content requirements and subsidies allegedly provided by eight American states.

India has complained to the WTO that the measures taken by the American government around the DCR are inconsistent with the WTO's Trade-Related Investment Measures (TRIMs) and the Subsidies and Countervailing Measures (SCM) agreements because they discriminate against imported products as compared to domestic products, and because the subsidies are contingent on the use of domestic over imported goods.

The request for consultation is the first step under the Dispute Settlement System of the WTO. Consultations give the parties an opportunity to discuss the matter and to find a satisfactory solution without proceeding further with litigation. *(FE, 12.09.16)*

India wants WTO to Provide Relief to Small Fishermen

Citing the vulnerability of its small-scale fishing fleet and the need to ensure food security, India has demanded special and differential treatment in fishery subsidy disciplines being negotiated at the WTO so that support to small and marginal fishermen gets exempted. India also insisted that developing countries be given capacity-building assistance to help in implementation.

Attempts are on at the WTO to arrive at an agreement on fisheries subsidies so that a pact is sealed at the next meeting of trade ministers in 2017. Overall, marine fish landings in India stood at 3.40 million tonnes in 2015 compared to global marine fishery production of over 83 million tonnes.

The subsidies that India provides its fishing community in the form of support for motorisation of fishing boats, fuel rebates and infrastructure support all fall under the targeted subsidies list at the WTO. *(BL, 03.07.16)*

World Bank Sees Upward Commodity Trend

The World Bank is reporting that some commodities might end the year with a lower average price than in 2015 but on the whole, prices have already seen a bottom. It has a positive outlook for energy, non-energy, crude oil and gold; that for fertiliser and metal & minerals is still negative.

Precious metals have seen safe-haven buying, and gold and silver have shown a strong rise. Investor-driven gains were the result of weak US economic data that delayed the Federal Reserve's plan to raise policy interest rates.

OIL ON A HIGH

Nominal Price Index and forecast revisions

Commodity	Price Indexes (2010=100)				Change as per revised forecast (%)	
	2015	2016 (F)	2016 (RF)	2017 (F)	2015-16	2016-17
Energy	65	52	54	66	-16.4	22.2
Non-energy*	82	78	79	81	-4.1	2.1
Precious metals	91	89	97	95	7.5	-2
Crude oil ($/bbl)	51	41	43	53	-15.2	23.7
Gold ($/oz)	1,161	1,150	1,250	1,219	7.7	-2.4

*Excluding precious metals; RF: Revised forcast; F: Forcast
Source: World Bank Commodity markets Outlook July 2016 & April 2016

Prices also received a boost from Britain's vote to exit the European Union, as the outlook for Europe became less confident, amid weakening global growth and political uncertainty. *(BS, 28.07.16)*

Brussels Crafts China Trade Compromise

The EC is seeking a middle way between China's clamour to be treated the same as advanced economies and complaints from European member states and industrial groups that surging imports from China are to blame for the collapse in steel prices.

China says it is automatically entitled to obtain market economy status globally at the end of 2016 under WTO rules. Supporters, like the UK, say the move would boost investment to Europe and China. But other EU members and the US fear the move would flood the market with cheap Chinese imports.

While European manufacturers are campaigning against granting China a 'licence to dump', the EC's plan is cast to toughen penalties and avoid any weakening of current anti-dumping procedures. *(FT, 20.07.16)*

India Taking up Fake Brands Issue

India is taking up with China instances of copyright or trademark violation under which fake goods of prominent brands such as Dabur and Godrej are being exported to the different parts of the world.

"On receipt of complaints from Indian companies, the cases of copyright or trademark violations are taken up at appropriate levels with relevant government agencies in China by Embassy of India, Beijing," said Nirmala Sitaraman, Indian Commerce and Industry Minister.

The Embassy of India has come across instances of Chinese companies infringing upon copyright or trademark of Indian brands and products such as Natraj, Raymond, JK Files and Tools, Fevicol, Onida, Godrej, Boroplus, Dabur and some Indian incense stick brands. *(TH, 31.07.16)*

US Trade Deficit Rises

The US trade deficit rose to a 10-month high in June as rising domestic demand and higher oil prices boosted the import bill while the lagging effects of a strong dollar continued to hamper export growth.

June marked the third straight month of increases in the deficit. Economists forecast the trade gap widening to US$43.1bn in June after a previously reported US$41.1bn shortfall. When adjusted for inflation, the deficit rose to US$64.7bn from US$60.9bn in May.

The government in its snapshot of second-quarter GDP published said trade had contributed two-tenths of a percentage point to the 1.2 per cent annualised growth pace during the period. *(Reuters, 05.08.16)*

Oil Groups Feared Losing Out on Deals

UK oil companies lobbied the government in the run-up to the war in Iraq and raised concerns that the US was pledging oil contracts to Russian companies in an attempt to overcome Moscow's opposition to the invasion.

Documents released as part of the Chilcot report into the Iraq war showed that representatives of oil groups such as BP, Royal Dutch Shell and BG Group met Baroness Symons, then UK trade minister, in October 2002 to discuss their potential role in post-war reconstruction.

Separate documents cited reports by British officials of a meeting between Dick Cheney, US Vice-President, and Yevgeny Primakov, a former Russian Prime Minister, in which Cheney said: "Bids [for contracts] of those countries which co-operated with the US over Iraq would be looked at more sympathetically than those which did not." *(FT, 07.07.16)*

Post-Brexit Plan for Market Access

An ally of German Chancellor Angela Merkel said the UK will have to pay into the EU's budget if it wants the single market's advantages, diminishing Britain's prospects for a low-cost solution after its vote to exit the bloc.

Juergen Hardt, a lawmaker who speaks on foreign policy matters for Merkel's Christian Democrat-led parliamentary caucus, cited the case of Norway, a non-EU nation that contributes to the bloc's finances in return for market access. The issue was not adequately addressed in the UK's campaign leading up to the Brexit referendum in June, he said.

"If someone wants to benefit from the EU single-market structures, he also has to contribute to the cost of that operation," Hardt said. *(ET, 31.08.16)*

G20 Treads on Globalisation Taboo

Facing populist ire at home, leaders at G20 summit have tried to walk a fine line: acknowledge anti-globalisation anger while arguing that ever more liberal trade is the cure for sluggish economics.

The G20 leading economies sought to put a gentler face on trade, touting its benefits in lifting millions out of poverty, while acknowledged that too many had been left behind. But the declaration of inclusion and equality struck an incongruous note in a city largely deserted of ordinary people.

Authorities have detained potential troublemakers ushered away millions of citizens to make way for delegations that swept in along empty highways. "The fight against inequality is an important theme, to firmly connect growth and social justice", said German Chancellor Angela Merkel.

(ET, 07.09.16)

G20 Promises Fixes to Economic Ills

Leaders from the world's top economies broadly agreed at a summit in China to coordinate macroeconomic policies and opposed protectionism, but few concrete proposals emerged to meet growing challenges to globalisation and free trade.

Chinese President Xi Jinping urged major economies to drive growth through innovation, not just fiscal and monetary measures. G20 leaders had been expected to mount a defence of free trade and globalization against isolationism.

UK Prime Minister Theresa May said that governments needed to "do more ensure that working people really benefit from the opportunities created by free trade. This discussion goes to the hearth of how we build an economy that works for everyone."

(Reuters, 06.09.16)

G20 takes up Global Inequity Challenge

The leaders of the world's largest economies already seemed to agree on their most pressing priority: to find a way to sell the benefits of globalization to an increasingly sceptic public.

UK Prime Minister, Theresa May quoted, "Many of our citizens are frustrated by the pace of globalisation and feel they are not experiencing the benefits of international trade". May was echoed by US President Barack Obama and his Chinese counter-part, Xi Jinping, even as the leaders of the world's two largest economies set a positive example for global co-operation with their joint ratification of the Paris accord on the climate change.

"Here the G20 we will continue to pursue an agenda of inclusive and sustainable growth," Obama Said.. Xi said, "We need to build a more inclusive more economy." *(FT, 05.09.16)*

G20 Struggles to Remain Relevant

The G20 meeting received only light coverage from the press and market analysts. Either few took the trouble to read the communiqué or its contents were dismissed as wishful thinking that would not be implemented soon.

The communiqué gives the impression that world leaders recognise that they could be losing the battle against forces that would undermine longstanding drivers of growth and prosperity, including trade and investment openness. Yet none of this has attracted broad attention; and probably for a good reason.

The leaders of the global economy have signalled a good understanding of what's holding back prosperity. However, in the absence of crisis conditions that secure the cooperation of national politicians, such recognition will likely remain just words on communiqué. *(BL, 08.09.16)*

G20 has Lost its Focus

The agenda of G20 summits has expanded so that in addition to macro aspects of trade, finance and economy, the forum also debates political and social issues including terrorism, health, water and several others. In the bilateral conversation with Xi, Modi underlined that India and China need to be sensitive to each other's strategic interests, concerns and aspirations to realise the full potential of their bilateral partnership.

In the first few years of its establishment, the G20 discussions produced tangible results in the coordinated policy-making and follow-up action but it has since meandered along and lost focus.

Its significance has however continued to grow because of the opportunity it provides to world leaders to meet bilaterally with their major partners to discuss and resolve urgent issues of concern and interest.

(HT, 09.09.16)

World Population to Rise by 2050

The world population will reach 9.9 billion in 2050, increasing by 33 per cent from an estimated 7.4 billion now, the latest report from the Population Preference Bureau (PRB) has predicted.

"Despite declines in fertility rates around the world, we expect population gains to remain strong enough to take us toward a global population of 10 billion," said Jeffrey Jordan, president and CEO of PRB. The Data Sheet's mid-century population projections indicate that the combined population of the world's least developed countries in the world will double by 2050 to 1.9 billion.

Japan has the oldest population profile, with over a quarter of its citizens older than 65. The top ten fertility rates in the world are in sub-Saharan African countries, with nearly all above 6 children per woman, and one topping seven. *(DNA, 29.08.16)*

WB Draws Fire with Rule Changes

The World Bank is pushing through the biggest changes in decades to the social and environmental rules that cover its lending, drawing fire from activists who are accusing it of betraying vulnerable population across the world's poorest countries.

The biggest change is that the rules are becoming more flexible, giving more power to borrower countries. They allow for the increased use of local environmental and other regulations as benchmarks for projects. The changes come as the bank continues to face problems with its projects.

Scott Morris, a former US Treasury official now at the Centre for Global Development, said that the new rules were part of a shift to encourage broader changes in countries where the banks works by putting more emphasis on improving local laws rather than focusing on individual World Bank projects. *(FT, 05.08.16)*

Wheat Price Crashed to Low Level

The price of wheat has crashed to the lowest level in a decade as big harvests pile up in growers from Russia to the US, cutting the cost of staple foods. Due to extensive planting and benign weather, mounting supplies have exacerbated a broad washout in commodity markets and heaped pressure on farm economies.

Wheat prices are down 71 per cent since 2008, when the most commonly consumes food grain leapt above US$13 a bushel and riots swept the streets of some emerging countries.

"The only big producer to see a large shortfall this year is France, where heavy rain damaged crops. Low prices do little to stimulate demand, which tends to track population growth", Abbassian, Grains Economist at the UN Food and Agriculture Organisation in Rome, said. *(FT, 29.08.16)*

Globalisation Paradox, Redux

There has been a degradation the public discourse in the advanced economies is not questioned. Part of the reason is the failure of the political and the intellectual elite to make a principled and nuanced defence of freer trade in particular and globalisation in general, while acknowledging that it produces losers who must be compensated.

The reality today is that not only is the concept of globalism besieged, globalization itself may well be retreat. Data assembled by the Peterson Institute, a Washington think tank, documents that global trade as percentage of global output has flatlined at around 60 per cent since a sharp drop after the global financial crisis of 2008.

Only a concerted intellectual effort to resuscitate the conception of globalism is likely to tip the balance in favour of globalization itself.

(Mint, 12.09.16)

Healthcare Reform to Save GDP

A series of structural changes to China's current healthcare system could save Asia's largest economy up to three per cent of GDP. In recent decades, China has made efforts to improve healthcare access, extending a basic public health insurance network to virtually all of its people in some form since 2009.

But public hospitals are overwhelmed by the task to treat close to 90 per cent of patients for conditions ranging from the common cold to terminal cancer.

The report "makes a strong case for a new model that would both improve quality and save the economy up to three per cent of GDP," which was conducted by jointly Conducted jointly by the World Bank Group, the World Health Organisation and Chinese government agencies, Jim Yong Kim, President of the World Bank Group, said in a conference. *(BS, 24.07.16)*

Hungary Seeks Foreign Workers

Hungary is trying to entice more foreign workers to overcome the labour shortage problems. But they want right kind of foreigners, i.e. who has similar "culture and historical" backgrounds.

"In the profession affected we temporarily need to enable employers to take in workers from the EU – where there is free movement of labour – or neighbouring third countries,"

Economy Ministry MihalyVarga was quoted recently. He also told that Hungarian companies should raise wages to prevent workers from leaving in drove for better paid jobs in richer EU neighbours.

Government is trying to fill labour shortage by vocational training reform, etc. Some major foreign investors are sponsoring local university faculties to ensure their employment needs are met.

(Reuters, 15.09.16)

World Bank Challenge Kim's 2nd Term

The World Bank staff association calling for an international search to find a replacement for Kim is turning his replacement to another five-year term from June into a much more raucous affair. "

"Staff is clearly disenchanted with the leadership," said Daniel Sellen, the head of the staff association. For the time being the discussion at the Bank's board have

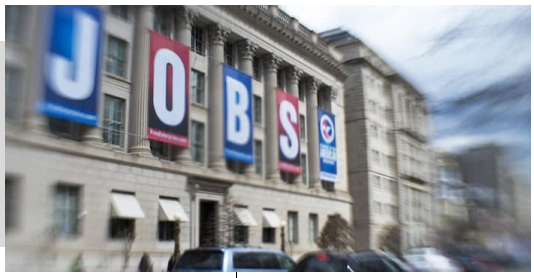
focused on process, which allows only for candidates nominated by board members to be considered.

In a response to the staff letter, the Kuwaiti dean of the board, Merza Hasan, said the board was committed to an 'open, merit-based and transparent' presidential selection. In its letter the staff association called for Kim to face an 'open, transparent, international competition' for the job. *(FT, 11.08.16)*

The Progressive Case for Championing Pro-Growth Policies

Lawrence Summers*

Tight labour markets are the best social programme, as they force employers to hire the inexperienced



Issues of inequality, fairness, middle-class living standards and job creation have been central to the US presidential campaign.

Rightly so. For many years, the incomes of all groups tended to move together. Indeed, as a graduate student in the late 1970s, I was taught that it was a "stylised fact" that the shares of US total income going to profits and to wages, and to the rich and to the poor, was constant.

All of this has changed. It is totally appropriate that widening inequality and the associated stalling of middle-class living standards should become an urgent political issue.

What is unfortunate is that many people, in their eagerness to focus on fairness, neglect the single most important determinant of almost every aspect of economic performance: the rate of growth of total income, as reflected in the gross domestic product.

Because those who champion strategies that centre on business tax-cutting and deregulation and favour the wealthy have placed the most emphasis on growth over the past 35 years, the objective of increasing growth has been discredited in the minds of too many progressives.

Growth means more employment

The reality is that more growth means more employment. And with the college-graduate unemployment rate only 2.5 per cent, the newly employed are disproportionately less educated and disadvantaged.

It can hardly be an accident that the decades of maximum growth, the 1960s and 1990s, also saw the most rapid job growth and most rapid increase in middle-class living standards.

Growth provides the wherewithal for increased federal revenue and so encourages the protection of vital social insurance programmes such as Social Security and Medicare. It creates headroom for new initiatives such as expansions of the Earned Income Tax Credit.

Tight labour markets are the best social programme, as they force employers to hire and mentor inexperienced people in order to be adequately staffed. Some years ago, I estimated that for each 1 per cent point increase in adult male employment, the employment of young black men rose 7 per cent. More recent research confirms economic growth has an outsized benefit for younger people and minorities.

Rising growth has other benefits, as well. It strengthens the power of the American example in the world. It obviates the need for desperation monetary policies that risk future financial stability. Greater growth also has historically operated to reduce crime, encourage environmental protection and contributes to public optimism about the country that our children will inherit.

The reality is that if American growth continues to have a 2 per cent ceiling, it is doubtful that we will achieve any of our major national objectives.

If, on the other hand, we can boost growth to 3 per cent, interest rates will normalise, middle-class wages will rise faster than inflation, debt burdens will tend to melt away and the power of the American example will be greatly enhanced.

Can growth be accelerated?

How, then, can growth be accelerated? In an economy like that of the US, the vast majority of job creation and income growth comes from the private sector. If the next president is lucky enough to preside over the creation of 10m jobs from 2017-20, more than 8m of them will surely come from businesses hiring in response to profit opportunities.

The question is not whether business success is desirable. The question is how it can best be achieved. At a moment when capital costs are close to zero, the stock market is at a record high and businesses are earning record profit margins, we do not need to bribe businesses to make investments that now do not seem worthwhile to them.

There is no case for reducing already low corporate taxes or removing regulations unless it can be shown that these have costs in excess of benefits.

Demand for the product of business

What is needed is more demand for the product of business. This is the core of the case for policy approaches to raising public investment, increasing workers' purchasing power and promoting competitiveness.

That such policies also contribute to fairness is not a reason to lose sight of the central objective of promoting growth.

Often in economics there are trade-offs. But not always. We can and must promote both fairness and growth.

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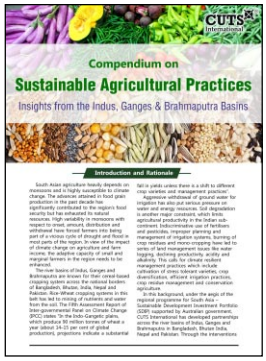
* *Charles W Eliot University Professor at Harvard and a former US Treasury Secretary*
Excerpts from an article appeared in the Financial Times on August 07, 2016

Publication

Compendium on
Sustainable Agricultural Practices
Insights from the Indus, Ganges & Brahmaputra Basins



As part of the Sustainable Development Investment Portfolio (SDIP), supported by the Department of Foreign Affairs & Trade (DFAT), Government of Australia, CUTS and its partners in Bangladesh, Bhutan, India, Nepal and Pakistan have compiled a document titled "Compendium on Sustainable Agricultural Practices - Insights from the Indus, Ganges & Brahmaputra basins" based on grassroots evidences.

This compendium is a compilation of those practices, which are promoted and advocated by CUTS and its partners in their locality and can be scaled up and disseminated to a wider group of farming communities in South Asia, taking into account the commonalities in their cropping systems and agro-climatic zones. This will also demand necessary support from state and national government in terms of policies and deeper engagement with civil society organisations to facilitate knowledge sharing.

Additionally, this document has also looked into the enabling policy frameworks required for scaling up of resource efficient agricultural practices.

This document can be accessed at: http://www.cuts-citee.org/SDIP/pdf/SDIP-Compendium_on_Agriculture.pdf

Global Investment Prospects Assessment 2016–2018

UNCTAD shares the Global Investment Prospects Assessment 2016–2018.

- Global FDI flows are expected to decline by 10–15 per cent in 2016, reflecting the fragility of the global economy and the persistent weakness of aggregate demand, sluggish growth in some commodity exporting countries and a slump in multinational enterprises (MNE) profits in 2015. Over the medium term, global FDI flows are projected to resume growth in 2017 and to surpass US$1.8tn in 2018, but they will remain lower than the pre-crisis peak.
- FDI prospects remain muted in most regions, although there are some bright spots. FDI inflows to Africa are likely to return to a growth path as a result of liberalisation measures and planned privatizations. Flows to developing Asia are expected to decline in 2016 by about 15 per cent, returning to 2014 levels. Latin America and the Caribbean may see their FDI slow down further in 2016 as challenging macroeconomic conditions persist. After the significant decline recorded in 2015, FDI flows to transition economies are expected to increase modestly in 2016. The recovery of FDI activity in developed economies recorded in 2015 is unlikely to be sustained in 2016.
- Diverging trends in FDI prospects of some megagroupings. UNCTAD forecasts that FDI flows to G20 members could decline by 5 to 10 per cent in 2016, falling to US$830–880bn. FDI flows to APEC members are expected to fall by 15 to 20 per cent to US$760–US$810bn, reverting to normal patterns after unusually high expansion in a number of economies in 2015. Flows to BRICS countries could return to growth, increasing by an average of 10 per cent to US$270-US$290bn.
- Overall, expectations about short term FDI flows are best described as mildly pessimistic with flows declining in both developing and developed economies.

An in-depth analysis of global, regional and country level FDI trends, is available in the World Investment Report 2016.

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)

SOURCES: BL: The Hindu Business Line; BS: Business Standard; DNA: Daily News and Analysis; ET: Economic Times; FE: Financial Express; FT: Financial Times; HT: Hindustan Times; IE: Indian Express; JT: Jakarta Times; TG: The Guardian; TH: The Hindu; ToI: Times of India

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