

# ECONOMIQUITY

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## 1914 Revisited: Open World Order is Breaking Apart

The age of globalisation generated great prosperity. As the flow of goods, money and people across borders surged, millions benefited. But the elite gained the most. And as inequality rose, it stirred pockets of fierce resentment among those left behind. When the great shock came, the discontented turned to nationalist firebrands, who promised to impose controls on free trade, global banks and immigrants. Globalisation stalled. A new age of deglobalisation hit full stride.

That great shock came in 1914, with the outbreak of World War I, and it ended an extraordinary four-decade period of rising migration and trade. But that era provides clear parallels to the globalisation boom that gained momentum in the 1980s and stalled during the financial crisis of 2008. Today globalisation is once again in retreat. Populists are on the march, as evidenced by Donald J. Trump's stunning victory. They have already won control of the government in Britain and gained momentum in Italy, France and Germany.

It is not clear how Trump, who has called for protectionist measures and tighter borders, will govern. But it is clear that the open world order is breaking apart. The new age of deglobalisation is on, and it is likely to last.

Today, 2008 looks to be as clear a turning point as 1914. With global demand weak, and many nations erecting import barriers, trade is slumping. Measured as a share of global gross domestic product (GDP), trade doubled from 30 per cent in 1973 to a high of 60 per cent in 2008. But it faltered during the crisis and has since dropped to 55 per cent.

The social tensions generated by rapid globalisation in the early 20th century also ring familiar. The share of income going to the richest one per cent of Americans rose steadily from 1870 to a peak of nearly 20 per cent in the late 1920s, as global commerce created a "gilded age" plutocracy.

More worrisome is the geopolitical fallout from closing borders. As the open global order has faltered since 2008, the number of democracies has stagnated. More than 100 of the countries tracked by Freedom House have shown a decline in freedom since then, as democracies have grown more xenophobic and autocracies more repressive.

These governments are increasingly willing to close borders and to project military power. Though hardly global threats on a par with the Axis powers before World War II, they pose challenges on three main fronts, with China pushing into the South China Sea, Russia testing Europe's borders and Iran's proxies spreading across the "Shiite crescent" in the Middle East.

World War I shattered the hope that an increasingly interconnected world would render armed conflict between nations obsolete. Similar hopes surfaced in recent decades. But the connections are fraying, tensions are spreading and my-nation-first populism is gaining, including in the US.

Trump may not follow through on all these proposals, but his direction is clear. The global movement of goods, money and people is likely to continue slowing. The lesson of the past is that just as night follows day, deglobalisation follows globalisation – and can last just as long.

*Excerpts from an article by Ruchir Sharma, Chief Global Strategist at Morgan Stanley Investment Management, published in the Times of India on November 17, 2016*



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# China, India and the World after Trump

Shyam Saran\*

*In the next decade, how US-China relations unfold will shape the external environment for countries like India. Much will depend on how China perceives the Trump presidency.*



We are today at a true inflexion point in international affairs. Europe is disoriented and in disarray thanks to Brexit. The US under president-elect Donald Trump is likely to see significant discontinuities from the past. Just recently, he has announced that after his inauguration, he will give notice for the US's withdrawal from the Trans Pacific Partnership (TPP), that he will permit the resumption of coal mining and coal-based thermal power plants, and that he will ask the department of labour to begin registering illegal migrants who will be deported.

He has, therefore, left no one in doubt that he intends to deliver on at least some of his campaign promises. So we will see departures from past US policies and there will be resultant uncertainty. By contrast, China appears as relatively stable, predictable and even positive factor as the international landscape continues to be transformed.

In the next decade, how US-China relations unfold will shape the external environment for countries like India. Much will depend on how China perceives the Trump presidency. I believe that China looks upon the Trump presidency as an opportunity to further expand China's regional and international profile.

## The Russia question

Against this background, a US-Russia détente would be welcome from an Indian perspective. To the extent that Europe was following an American lead in trying to isolate and sanction Russia, a Trump outreach to Putin may revive the many political and economic links

that had developed between post-Cold War Russia and European partners, in particular Germany. If this is once again on the horizon, Russia's traditional anxieties about a resurgent China may well resurface. This may introduce a degree of balance in what may otherwise appear as the beginning of a Chinese decade.

Chinese politics is likely to trend towards authoritarianism. In Chinese perception, internal peace and prosperity have flourished in times of strong centralised and indeed, expanding empire. In its absence there has been misery and chaos. This is hard-wired into the Chinese psyche. I do not foresee China following an East Asian model of economic prosperity leading to some recognisable form of representative democracy. Chinese politics is brittle and there have been major disruptions in the past, but I believe this is now less likely.

## New role for India?

So what does this mean for India in the next decade? The management of India-China relations has become more complex, more challenging than at any time in the history of independent India. There will need to be a fine distinction between treating China an adversary, which it obviously is and will remain for the foreseeable future, and casting it in the role of an enemy. In the decade ahead, I envisage the power gap between India and China in terms of both economic and military capabilities remaining large and even expanding. China's economy, after all, is already five times that of India. This would suggest a policy of prudence, not

provocation; caution and avoidance of bravado.

The changed environment in the region will create opportunities for India, even as it does for China. Japan, Southeast Asia and Australia would welcome an expanded Indian footprint in the region and there may be greater willingness to seek expanded security, maritime cooperation with India in particular. These relationships need to be pursued with greater vigour and we should not be inhibited by anxieties over Chinese adverse reaction.

Chinese restraint is more likely if India has a stronger network of political, economic and security relationships with major powers and other partners in the region, rather than if such a network was weakened by the fear of China. A relatively isolated India is likely to be more vulnerable to Chinese pressure than otherwise.

And the engagement aspect remains critically important, even though there may be points of enhanced contestation such as stronger Chinese alliance with Pakistan, its opposition to India's NSG membership and other similar issues. India's membership of G-20, SCO, BRICS and the India-China-Russia trilateral are very useful platforms for engaging China and providing opportunities for regular meetings at the top leadership level. These summits are important. Our experience over the past decade has been that such summit meetings have lent a degree of stability to the relationship and enabled both countries to manage a complex and sometimes fractious relationship. In the decade to come, such leadership engagement will become even more important.

\* Former Foreign Secretary of India. This article is adapted from a lecture delivered at the Konrad Adenauer Foundation Excerpts from an article appeared in *The Wire* on November 24, 2016

**World more Equal since Financial Crisis**

The new study by World Bank Researchers found that inequality within countries actually decreased since 2008 crisis, with big industrialised economies among the winners.

“Between 2008 and 2013, the number of Countries experiencing declining inequality was twice the widening inequality,” the authors wrote.

According to World Bank data, the UK was the industrialised economy that saw the biggest decline in inequality after the crisis. Others include US, Germany, Brazil and China.

The Bank also found that in 2013, 767 million – or just over one in ten of the world’s population – were struggling to survive below the line, down from 881 million the year before.

And globally, the world’s poor continue to be concentrated in South Asia and Sub-Saharan Africa with almost 650 million of the 766 million people surviving on US\$1.90 or less a day living in those regions in 2013.

(FT, 03.10.16)

**Growth ‘Sliding into the Morass’**

The Brookings-FT Tiger index-tracking indices for global economic recovery – suggests the global economy is still struggling to grow strongly. While the overall growth index for emerging markets has improved from the low of 2015 and there are signs of an end of recessions in Russia and Brazil, the level of growth remains far below historical averages. Sluggishness continues to haunt advanced economies, which have settled into a pattern of positive but weak growth in recent years.

Christine Lagarde, International Monetary Fund’s (IMF) Managing Director warned of a ‘weak and fragile’ economy that was encouraging ‘economic malpractice’ in the form of restricting trade and reducing openness without taking the name of Trump and Brexit vote.

Professor Eswar Prasad, an Economist at Brookings urged policymakers to help improve the outlook with more aggressive fiscal stimulus, deregulation and greater openness to trade.

(FT, 03.10.16)

**The Rise of Politics of Rage**

The politics of rage- a broad rejection of centre right parties across richer countries is thriving. Across 22 advanced economies, right vote has fallen by an average of 12 percentage points since the 1990s.

Compiling a set of ‘policies of rage’ from alternative party platforms yields similar conclusions. The most common campaign pledge is to retake sovereignty, closely followed by demands for representative reform or greater use of democracy.

Even if direct de-globalisation is excluded, increased assertion of sovereignty and a greater voice by those who have benefited less from globalisation imply some degree of de-globalisation. Emerging markets should be relatively loser due to de-globalisation. But advanced countries that institute trade and immigration restriction should expect slower trend productivity growth.

(FT, 08.11.16)

**Protectionism Threat to Global Growth**

US election and Brexit pose have lowered the growth of advanced economies and impact on global trade. The IMF lowered its forecast for advanced economies as a whole to 1.6 per cent growth in 2016.

But IMF expects emerging economies such as Brazil, China, Russia will perform well and set forecast at

4.2 per cent. The IMF said it now expected global growth to rise slightly to 3.4 per cent in 2017.

Among factors that could derail this was a sharp rise in trade barriers, Obstfeld said. He said, what the global economy needed now was a ‘renewed commitment to lowering trade barriers’.

(FT, 05.10.16)

**How Migration Drives World Economy**

Cross border movement of people boosts global productivity, contributed roughly US\$6.7tn or 9.4 per cent of global GDP in 2015, and countries which prioritise integration of migrants stand to gain, said a report released by the Mckinsey Global Institute.

According to the report, more than 90 per cent of the world’s 247 million cross border migrants move voluntarily for economic reasons, contributing 40 to 80 per cent of labour force growth in the top destination countries (US is the top destination with migrant population of 47 million; India tops as the country of origin of migrants, contributing 16 million).

Immigrants, even though they earn higher wages by moving, earn 20-30 per cent less than native workers, the report adding that narrowing the wage gap to 5-10 per cent would translate into higher output.

(Mint, 02.11.16)

**Europe to Fight Trump ‘Protectionism’**

Europe is prepared to fight back against economic protectionism by the Trump administration with policies akin to those used to combat Chinese anticompetitive practices, according to France’s Industry Minister Christophe Sirgue.

Sirgue criticises the Trump’s proposed global trade policy in time of campaigns that tear up global trade deals and impose punitive tariffs and higher barriers to trade. Trump has focused his protectionist rhetoric on Asia and Mexico, threatening to impose a 45 per cent tariff on goods from China and similar 35

per cent levy on products imported from Mexico. But there are concerns that this could have a ripple effect on Europe.

(FT, 13.12.16)



## Chinese Products no Longer Cheaper

China's manufacturing prices rose in September for the first time in almost five years and overall producer prices also clambered out of negative territory.

The reason for this price hike is explained by the dilemma facing Jiangmen

Luck Tissue Mfy, now caught in a squeeze between surging wages and tepid demand. The company already has slashed staff by half, shaved prices and automated production to survive.

For the world economy, this price increase would impact on the top five markets: The US, Hong Kong, Japan, South Korea and Mexico. It also raises the import prices of Japan and Australia (larger importer of China). It marks a very significant turning point in deflationary pressures both in China a globally.

(FT, 31.10.16)



### 'Non-committal' on Market Economy

India is not inclined to automatically grant coveted market economy status (MES) to China under WTO norms in December 2016.

Granting MES to China will severely curb the ability of nations including India to impose anti-dumping duties on 'unfair priced' Chinese imports.

The Chinese government gives subsidies to various sectors, providing intervention in all economic transactions and that can create inefficient market operations. These also create distortions in global trade. There is also fear that the China might establish itself as market economy only in case of some goods, and not all.

The India's manufacturing sector is mostly affected by this inclination of MES to China. That's why Africa, Latin America are inclined to MES to China.

(TH, 18.11.16)

### Orange Juice under Threat!

Orange juice's position on the breakfast table may be under threat due to the popularity of Atkins diet in the early 2000s, and a larger choice of beverages, but that has not stopped its price soaring to a record high. Price soaring is due to the low supply even if

there is decline in demand of orange juice.

A combination of bad weather and crop disease in Brazil and the US had helped catapult the price for frozen concentrated orange juice 60 per cent higher this year.

In Brazil, higher than normal temperatures significantly damaged development of the fruit. Output in US, the second largest producer has been severely hit by citrus greening disease, spread by Asian citrus psyllid, a sap-sucking insect.

The USDA is predicting production this year to be at 383,000 tonnes, almost half of the five years ago.

(FT, 09.11.16)

### Global Food Prices Set to Stay Low

The Food and Agricultural Organisation (FAO) of the United Nations in its latest report forecast global cereal production to set a new record at 2.56 billion tonnes in 2016-17, a rise of 1.5 percent from the previous year.

Along with carryover stocks, total cereal availability in the world is estimated to surpass consumption in 2016-17 by 664.3 million tonnes, over 25 percent of annual consumption.

"Global food markets will likely remain 'generally well balanced' in the year ahead, as prices for most internationally traded agricultural commodities are relatively low and stable. The benign outlook, especially for staple grains, is poised to lower the food import bill to a six-year low in 2016-17", the FAO said. (FT, 16.10.13)

### Assets of Wealthy Indians to Grow

Julius Baer Wealth Advisors India's report defines high net worth individuals (HNWI) as people with a net investable wealth of US\$1mn or more, excluding the property that is their main residence. The Swiss private banking group expects HNWI assets in India to touch US\$2.3tn, in the next four years.

On India, Julius Baer believes the rise in average per capita spending, and government measures at boosting rural income are likely to push domestic consumption. With the recent 7.5 per cent growth in GDP and expected a strong future outlook is making it more attractive market and this trend is continuous.

They expect moderate growth in luxury and high-end goods and services in India. NSSO 68<sup>th</sup> round survey data reveals the fact that the rural India still under penetrated. (BS, 10.11.16)

### Malaysia-China Deal Ruffle Feathers

Malaysia's Prime Minister will explore deeper defence and economic cooperation with China on a state visit. Among Malaysia's aim is the negotiation of a deal to purchase coastal patrol ships from China in what would be the first significant defence equipment contracts between the two countries.

If confirmed, the deal is likely to ruffle feathers among the US and its alliance. Military relations between two countries have grown warmer recently also.

Malaysia and China have overlapping claims in the South-China Sea, but they have rarely come into conflict. Neighbouring Singapore and Vietnam have both moved to strengthen defence ties with US. Duterte, in contrast, signed US\$13.5bn of deals and investment on a trip to China.

(FT, 01.11.16)

### Europe Argue on Bank Rules

The European Commission and nations including France and Spain have mounted public campaign against new standards being developed by global regulators in the Basel Committee on Banking Supervision.

Jeroen Dijsselbloem, Dutch Finance Minister and President of the Euro Group of Finance Ministers, says Europe should not make ultimatums to Basel committee and the new standards cannot lead to higher capital requirements and. He thinks the approach should be different.

Valdis Dombrovskis, the EU's Financial Regulation Commissioner, said this new standards put "our banks at a disadvantage compared to our global competitor." And call for a solution that works for Europe. US regulators argue that the standards would make banks safer. *(FT, 12.10.16)*

### Sale of Electric Vehicles Reversed

Houston-based analysts are expected battery-powered cars and trucks to take off after 2025 as governments move to tackle pollution and costs fall.

Athens, Madrid, Mexico city and Paris pledged to phase out diesel vehicles by 2025 in a battle against pollution, a move that could further stimulate demand for EVs.

Regulation and government subsidies alone will not enough to spark a boom in EVs. Technology innovation is necessary and better technology innovation gets cheaper and EVs do not need subsidy, said Alen

Gelder, Vice President of Refining Chemicals and Oil Markets at Wood Mackenzie.

*(BS, 03.12.16)*

### Samsung wins Court Fight with Apple

The US Supreme Court sided with Samsung in its big-money smartphone patent fight with Apple, throwing out an appeals court ruling that the South Korea Company had to pay a US\$399mn penalty to its American rival for copying key iPhone designs.

The 8-0 ruling written by Justice Sonia Sotomayor, held that a patent violator does not always have to fork over its entire profits from the sales of products using stolen designs, if the designs covered only certain components and not the whole thing, while Samsung copying only certain components.

The legal dispute centred on whether the term 'article of manufacture' on which design patent damages are calculated in US patent law, is ambiguous and we are going period of uncertainty to resolve any dispute like Samsung. *(BS, 07.12.16)*

### Chinese Exports Fall Again

A weaker renminbi failed to stop a sharp fall in China's exports in September. In renminbi terms, exports fell an annualised 5.6 per cent, according to China's Administration of Customs, the first drop since February when outbound shipments contracted 20.6 percent. Imports grew only 2.2 per cent, down from 10.8 per cent growth in August.

The Chinese currency has already depreciated 3.6 per cent against the dollar during the year to date to reach Rmb6.7291, the lowest since 2010. ANZ analyst David Qu and Raymond Yeung described the downturn in export as broad-based, with shipments to all large trade partners dropping.

Exports to US and EU fell 8.1 per cent and 9.8 per cent year on year respectively. They said "The sluggish external demand will continue to weigh on the trade outlook, given downside risk stemming from the US election and UK's exit from Brexit." *(FT, 16.10.16)*

### US Court Approves VW Scandal

A court overseeing US civil claims against Volkswagen gave final approval to one of the biggest consumer settlement in history. Owners of the affected 2.0 litre engine cars are being offered a choice between a technical fix to their vehicle or a buy back based on prices in September 2015 – just before the US Environmental Protection Agency revealed the Scheme.

And the modification must comply with environmental standards and without sacrificing performance. In addition to the buyback or the fix affected owners are being offered between US\$5000 and US\$10,000 in cash compensation for the cheating, depending on the price of vehicle.

Charles Breyer, US District Judge said car owner would be entitled to a full refund only if they returned their cars in the same condition as when they were purchased. *(FT, 20.10.16)*

## Brussels to Demand Brexit 'Settlement'

The Brussels's UK exit deal is rigid and gives priority of a clean separation settlement over London's desire to focus on refashioning trading relations.

Taking account of unpaid budget commitments, pension liabilities, loan guarantees and spending on UK-based projects and Brussels's assume planned spending, the Commission's opening demand bill would range from •40bn to •60bn, according to FT research.

Barnier joined aides to Donald Trusk, the European Council President for separate 'confessional' meetings with representatives from the remaining 27 EU nations. It is unclear how much of a transition deal could be inclined in an Article 50 settlement, and whether a separate transition treaty would be needed.

*(FT, 16.11.16)*

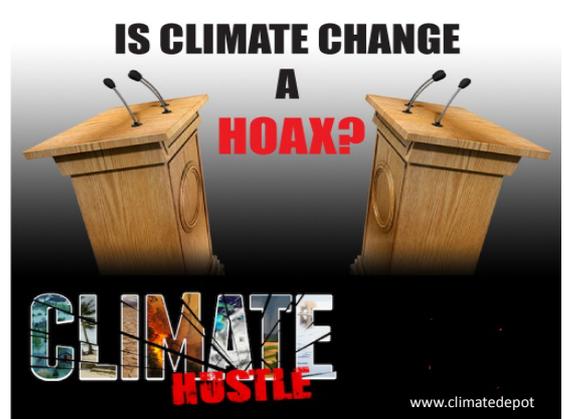


## Trump Has Called Climate Change a Chinese Hoax

Beijing – once seen as an obstructive force in UN Climate talks – is now leading the push for progress by blunt rebuttals that president elect of the world’s wealthiest country Donald Trump would pull the US out of the landmark Paris Agreement by describing global warming as a ‘hoax’ and thereby vowing to stop US funding for the same programme entirely.

India also joined in the warnings, saying Trump’s appointment would force countries to reassess an accord hailed as an end to fossil fuel era.

Even after EU’s and Japan’s reaffirmation for their commitment to the agreement, neither they nor China were willing to offer extra cuts in greenhouse gas emissions to fill the vacuum a US withdrawal would create. *(FT, 12.11.16)*



### Trump to Boost a ‘Climate Change Doubt

Zeal of more than 190 nations including China and Saudi Arabia remains untarnished to step up their efforts to fight global warming despite concerns that US President Elect Donald Trump will put the richest polluter out of the process when he takes office.

“America needs to accept it that there is full commitment from the global community, that climate change is such a big challenge, that it’s much more important than countries and their elections,” says EU Climate and Energy Commissioner Miguel Arias Canate.

Furthermore, a Paris Committee on Capacity Building will start working in 2017. Its main aim will be to ensure developing nations build their ability to rein in emissions and adapt to climate related harm. This will act as a decision to review a ‘loss and damage’ mechanism, that’ll help compensate the poorest nations for the worst climate change impacts. *(FE, 21.11.16)*

### Power Installations Beat Fossil Fuel

According to International Energy Agency (IEA), renewable energy reached an important turning point in 2015 year with record new installations of emissions free power surpassing sources that burn fossil fuels.

New installation of renewable energy overtook conventional power for the first time in 2015, the Paris based agency disclosed in its Medium Term Renewable Energy Market Report. The report also mentions the rise in Global green power to a record 153 Gigawatts, equivalent to 55 per cent of newly

installed capacity last year and that renewables to take up as the world’s fastest growing source of electricity over the next five years.

Much of the growth will be driven by four countries, the IEA said, identifying those countries as India, China, US and Mexico as clean energy hotspots over next five years. *(Mint, 26.11.16)*

### Deal to Create Largest Marine Park

World powers have agreed a deal to create one of the largest marine protection parks in the pristine waters off the coast of Antarctica. This move (which came up in Hobart, Australia) has been a breakthrough stamping all the Russian concerns after several years of difficult negotiations.

This zone would be protected for 35 years but there would be a ‘special research zone’ where fishing would still be allowed with special restrictions. Protection for that zone would be limited only for 30 years.

“Proposals for more protective zones in the eastern Antarctic and the Weddell Sea by Australia and EU will be entertained soon next year” said Dmitry Kremenjuk, Deputy Head of Russian Delegation. *(FT, 29.11.16)*

### Oil Cos. to Measure Climate Risks

A coalition of the world’s most powerful bankers, regulators and even executives at some heavy polluters have a message for oil and gas companies to disclose and measure the climate risks such as extreme weather and rising seas voluntarily.

A set of new guidelines incorporating the same have been issued by a task force commissioned by a G20 nations. In particular, the group wants the firms to undergo what are essentially stress areas to see how their business would fare under the warming of 2°C laid out under the Paris Climate accord.

Companies should disclose their material findings in their financial statements just like market or currency swings. “Climate change is not only an environmental problem but a business one as well,” says Michael Bloomberg, former New York Mayor, who headed the task force. *(BL, 12.11.16)*

### 20 Nations Sign Solar Alliance

The brainchild of PM Narendra Modi - International Solar Alliance (ISA) - was opened for signatures in Marrakech on the sidelines of COP22. Over 20 countries including Brazil and France have become signatories to this framework agreement.

Indian climate experts termed it as a ‘good’ initiative which will aggregate demand, improve quality and reduce cost of solar energy in developing countries but cautioned that there has to be ‘confidence’ in ISA for helping achieve this objective.

The ISA - a collective voice of sunshine rich nations - will enter into force once 15 countries ratify it after completing their respective domestic processes. It will help these countries to bargain their positions as a group to get low cost finance and technology to boost solar energy. *(FE, 16.11.16)*

**India Demands ‘Climate Justice’**

Seeking a clear definition of climate justice in the Paris Agreement implementation guidelines and pushing for uninterrupted flow of finance from developed countries to meet the targets of the agreement are on top of India’s agenda at the UN climate summit here, according to Environment Minister Anil M. Dave.

On the question of ‘climate justice’, a term repeatedly invoked by India, Dave, Environment Minister, said that it was the same For India like receiving finance from developed Countries.

However, he said that the term required ‘fine tuning’ and parties at the Summit must aim to clarify Climate justice in implementation guidelines.

*(TH, 17.11.16)*

**Rich Nations to Break Climate Law**

Out of many major victories secured by the rich nations at Marrakech, the most significant one is their report on climate finance acknowledged into formal negotiations despite developing countries claiming that it used dubious accounting methods.

This could lead to the OECD Report (which failed in Paris in 2015, getting away with Marrakech) now becoming one of the deciding factors for defining climate finance. They also ensured to a considerable extent that there will be little new action to reduce emissions or climate funding till 2020.

The developing countries were able to keep the existing adaptation fund which provides funds to developing countries from the rich nations alive, but these attached conditions. These could constrict it or even choke it by the time the Paris Agreement gets implemented.

Thus, issues were piled up on both sides-rich and the developing countries.

*(BS, 20.11.16)*

**Future Fisheries to Expect Revenue Loss**

The Global Fisheries Sector could suffer an annual revenue loss of US\$10bn by 2050 due to changes in climatic conditions, says a study by University of Columbia.

According to the study, under high CO<sub>2</sub> emission scenarios, the projected increase in fish catch in high latitudes may not translate into increase in

revenues because of the high dominance of low value fish, and the decrease in catches by these countries’ vessels operating in more severely impacted distant waters, the report states.

According to the study, under high CO<sub>2</sub> emission scenarios, the projected increases in fish catch in high latitudes may not translate into increases in revenues because of the increasing dominance of low value fish, and the decrease in catches by these countries’ vessels operating in more severely impacted distant waters, the reports states.

The study also puts countries like India coming under greater stress due to changes in climate.

*(FE, 12.11.16)*

**India’s Carbon Emission Grew in 2015**

In a drastic change as compared to last year’s ‘no-growth’ in global carbon emission from burning fossil fuels, India’s emission grew by 5.2 per cent in 2015. They are projected to rise only slightly in 2016, marking three years of slowdown, said the study published in the journal Earth System Science Data.

India contributed 6.3 per cent of all global CO<sub>2</sub> emissions in 2015, the study said. Scientists have ranked China as the biggest emitter of CO<sub>2</sub> at 29 per cent, whereas US is second on the list with 15 per cent emission.

The study also pointed out the fact that reductions needed to limit climate change well below 2°C still fall short.

*(BL, 16.11.16)*

**South Pacific Shifts to Solar Power**

SolarCity, the company officially acquired by Tesla, is powering nearly the entire island of Ta’u in American Samoa with solar power. SolarCity developed a microgrid with 1.4 MW of solar generation capacity enough to power nearly 100 per cent of the island.

The solar array is composed of 5,328 panels that can run the entire island on solar energy for three days and fully recharge in just 7 hours.

The project was funded by American Samoa Economic Development Authority, the Environmental Protection Agency and the Department of Interior was implemented within one year.

*(ToI, 18.12.16)*

**Uneasy Memories From 15 Years Ago**

There is an emergence of unabated fear that the US under the presidency of Donald Trump might pull out of the Paris accord thus bringing afresh the memories from 15 years ago when a change of administration saw the US refusing to ratify the climate change agreement of that time.



Earlier, during the negotiator meet in ancient Moroccan city in 2001, the Bush administration had announced its inability to join the Kyoto Protocol which ends in 2020, Trump seems to be recapitulating the same scenario for US again.

*(IE, 11.11.16)*

# Donald Trump and Climate Change

## Why the US Should Respect the Paris Agreement

Yann Aguila\*

Donald Trump said he had an 'open mind' over US involvement in the Paris Agreement. During his electoral campaign he had proclaimed that he intended to 'cancel' this Agreement. The international community meeting in Marrakech for the COP 22 has shown concern over this position as the US responsible for about 18 per cent of global greenhouse gas emissions and its withdrawal from the Paris Agreement could threaten the goal of limiting the global temperature rise to below 2°C.



We can still hope that the President-elect will not pursue this election promise. No doubt he might technically pull the US out of the Paris Agreement, but in doing so the future Trump administration would be taking both a diplomatic and a legal risk.

From a procedural point of view, if the American government cannot cancel the Paris Agreement on behalf of all signatory States, it can still withdraw from the Agreement. There are two ways the US government could do this. First, the Paris agreement allows States to withdraw, but only after a certain period of time. Second, though more radical, the US could withdraw from another agreement: the United Nations Framework Convention on Climate Change (UNFCCC) negotiated at the Earth Summit in Rio de Janeiro in 1992.

Alternatively, and more simply, the future Trump administration could simply disregard its commitments under the Paris Agreement. US withdrawal from the Paris Agreement would pose two major risks. The first one is diplomatic in nature.

### The diplomatic risk: US isolation

Some fear the so-called 'domino effect' whereby some States, taking notice of the US withdrawal, could also

decide to disregard their climate commitments. This scenario cannot be entirely excluded.

However, it is more likely that a US withdrawal from the Paris Agreement could backfire, leaving the US isolated on the diplomatic stage as a result. As the COP 22 put into light, the global consensus that emerged from Paris to deal with climate change collectively has been consolidated in Marrakech. Should the US withdraw, it will assume the risk of being out of this common path, leaving the field open to challengers. China, determined to move forward with climate change, and the European Union could take the lead on developing low-carbon economies.

### The legal risk: Climate liability of the US

It is clear that global warming will result in damages, and a key question is who will bear these costs. The Governor of the Bank of England, Mark Carney, gave a speech on September 29, 2015 at Lloyd's of London. He explained that because of the rapid sea level rise, the number of weather-related loss events has tripled since the 1980s. He showed concern on liability risks and asked what would happen "if parties who have suffered loss or damage from the effects of climate change seek compensation from those they hold responsible"?

Should the US withdraw from the Paris Agreement, victims of global warming could initiate lawsuits against the federal government. These actions could be brought in American courts, or even domestic courts of other countries who have suffered damage.

### A chance: Mobilisation of American civil society in favour of the climate

Paradoxically, compliance with US climate commitments could be the result of the actions of civil society rather than of the federal government.

In the US, local and regional actors have been involved in the development of clean energies for a long time. Further, almost 400 American companies have called on their representatives "to pursue the participation of the US in the Paris agreement."

This mobilisation gives us cause for optimism: no matter the reluctance of Trump's administration to take further action to reduce greenhouse gas emissions, the civil society is already moving forward. This is in line with the report of the Environment Committee of the Club des Juristes on the growing role of non-state actors on the international stage. Now more than ever, the protection of the environment is a common concern to all citizens.

\* Member of the Paris Bar Association and President of the Environment Committee of the Club des juristes  
Excerpts from an article appeared in *The Huffington Post* on November 29, 2016

## Labour Rights as Human Rights

### *Evaluating the Policy Coherence of US, EU and Australia through Trade Agreements and their Participation in the Universal Periodic Review*

Raymond Saner\*, Angad Keith\*\*, Lichia Yiu\*\*\*

*The purpose of this study is to find policy coherence, or lack thereof, in the labour provisions contained in the Free Trade Agreements (FTAs) of the US, the EU and Australia when compared to their interactions in the Universal Periodic Review (UPR) Sessions with their trade partners and to the official trio of UPR documents made available during these sessions.*



Over the past decade these countries have entered into various FTAs with developing and developed countries alike. However, it is their trade agreements with developing countries that are of particular interest.

This study was conducted in order to ascertain how these leading actors approach labour clauses in their FTAs. First, the labour provisions and social clauses of these trade agreements were analysed. Second, the participation of these actors and their dialogue with their FTA partners in UPR Sessions were assessed along with the reports compiled by the United Nations (UN entities and relevant stakeholders for use during these sessions. Lastly, these two analyses were deconstructed under the prism of labour rights as a subset of human rights in order to evaluate policy coherence of the main actors.

The core findings of this study are that the USA and Australia lack a clear direction in their policy while approaching UPR sessions. Their recommendations during these sessions tend to be misaligned with

that of the official UPR reports. USA tends to make generalised recommendations while not targeting specific areas of labour rights. Australia lacks labour provisions in most of its FTAs, thus making it harder to evaluate its policy. While the European Union does make detailed recommendations to its trade partners and maintains consistency with the official reports, there is still scope for involving the major members of the EU in dialogue.

The US's approach to trade agreements is technical and conditional, although it would be wrong to characterise it in purely these terms. It also provides for cooperation and capacity building yet there is a strong focus on dispute settlement mechanisms and even sanctions in the event of non-compliance with minimum labour standards. On the other hand, the EU prefers a conceptual approach to labour provisions by encouraging technical cooperation, dialogue and sharing of information between parties so as to best identify areas of labour

rights that need to be remedied. In Australia's case, a paucity of labour related provisions in its trade agreements is evident. Its case-by-case approach is unique, though not exemplary. It'd be in Australia's best interests to follow the approaches of the USA or the EU or a combination of both.

It is the recommendation of this study that these countries, particularly the USA, EU and Australia, align their recommendations during UPR sessions with the official reports in order to present a coherent and unified front in combating labour rights violations. The study suggests that one way of tracking progress would be to develop a quantitative human rights index that records and ranks countries based on their commitment to human and labour rights.

The growing influence and importance of labour rights cannot, and should not, be underestimated. Increasingly, labour rights are seen as a subset of human rights thereby strengthening their importance even further.

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Excerpts from a journal article in *Trade, Law and Development*, Vol. 7, No. 2, in Winter 2015

**India-China to Cut Tariff under RCEP**

India plans to offer tariff elimination on more than 70 per cent traded goods with China over an extended period of time under the ongoing negotiations for a Regional Comprehensive Economic Partnership (RCEP) agreement.

The common concession of tariff lines is the minimum tariff elimination that a country has to offer under RCEP, which is yet to be finalised. India plans to take a longer period to eliminate tariff with China, say up to 30 years, to give the worried domestic industry enough time to adjust to a trade deal with China.

Steel industry is particularly worried as China has been dumping iron and steel products in India at a much lower price than the domestic industry can supply at. India has often resorted to anti-dumping measures to protect domestic industry from the onslaught of cheap imports from China.

*(Mint, 19.12.16)*

**India-EU Trade Pact Talks Stumble**

India and the EU are in disagreement over whether to negotiate a bilateral investment treaty (BIT) for mutual protection and promotion of investments as part of the proposed FTA, or separately.

The EU wants the two partners to enter into a BIT as soon as possible and the FTA should follow later as the individual investment protection agreements signed by its member-countries with India have already started to lapse. It has also urged India

to allow the existing BITs to continue till a new one is negotiated.

Officials from the EU, who met senior officials from India's Department of Economic Affairs and Commerce Department last month and discussed the matter, are now expected to respond on how the FTA negotiations should proceed, the official added.

*(BL, 06.12.16)*

**Trump to Withdraw from TPP**

Donald Trump said that he was going to issue a note of intent to withdraw from the TPP trade deal, calling it "a potential disaster for our country". Instead he said he would negotiate fair bilateral trade deals that bring jobs and industry back.

"The US leaving TPP is a problem of America rejecting globalisation," said Da Wei, an expert on the US at the China Institute of Contemporary International Relations. "China is a beneficiary of globalisation and China is not willing to see the tide of globalisation ebb."

While some Chinese may be happy at what they see as a political failure for the US, ultimately "China disapproves of this, China is anxious about the retreat of globalisation", Da said.

*(TG, 22.11.16)*

**Risk of Protectionism if TPP Dropped**

Vietnam's Prime Minister Nguyen Xuan Phuc has warned of the risk of returning protectionism as Southeast Asian nations brace for potentially tighter controls on trade with the US.

"The world and Association of Southeast Asian Nations (ASEAN) region

are facing big challenges in various areas, including security, finance, climate change and risk of returning protectionism," Phuc said. The Vietnamese government would boost efforts to improve the nation's investment climate and increase the number of companies, he said.

Asian economies face significant risks should President-elect Donald Trump follow through with imposing trade barriers and opposing the Trans-Pacific Partnership.

Phuc called on the 10-member ASEAN, which includes Singapore and Indonesia, to deepen economic ties and build infrastructure to boost trade, investment and services.

*(BP, 08.12.16)*

**Japan Ratifies Trans-Pacific Trade Pact**

Japan has ratified the Trans-Pacific Partnership (TPP), a free-trade pact aimed at linking a dozen Pacific Rim nations, hoping it will one day take effect despite President-elect Donald Trump's pledge that the United States will withdraw from it.

The TPP, which aims to cut trade barriers in some of Asia's fastest-growing economies but does not include China, cannot take effect without the United States. Japanese Prime Minister Shinzo Abe has said the TPP would be "meaningless without the US".

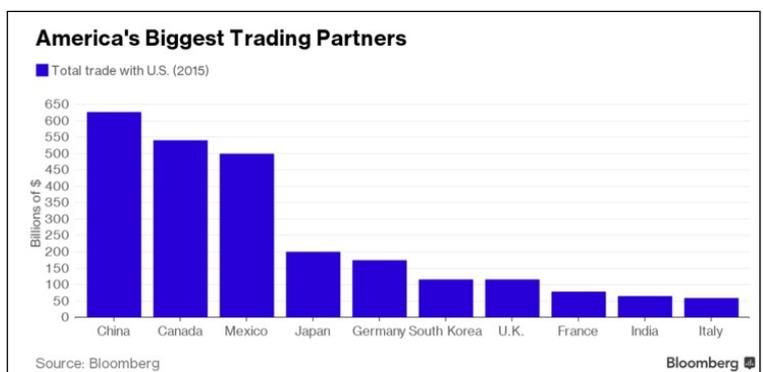
But by ratifying the deal in the Parliament, Japan is signalling it hopes the accord can be resuscitated when conditions are more favourable.

*(WSJ, 09.12.16)*

**Trump's Win is Asia's Loss if Trade Barriers Rise**

Just when China's economy seemed to be stabilizing, Donald Trump's election as US president poses significant new risks. Not just for Chinese growth, but the entire Asia region. That's because the president-elect campaigned on a policy platform with protectionism at its centre. Trump wants to slap punitive tariffs on Chinese goods and label the world's No. 2 economy a currency manipulator.

Such a move would hurt Chinese exports. But it could also trigger a trade war if Beijing retaliates, catching other Asian economies in the crossfire. Slower trade flows and rising uncertainty means less investment and weaker growth. Then there are controls on movement of people, the risk of capital repatriation back to the US and major security concerns.



"Profound changes in US trade and security relations with the region are likely and probably negative," economists at Morgan Stanley wrote in a note.

*(ET, 10.11.16)*

### China's Trade Surplus with US Shrink

The infamous American trade deficit with China is actually starting to shrink. While the improvement is tentative, and Americans continue to buy more goods from China than they sell back, it marks a narrowing of a gap that's been a lightning rod for criticism during the fractious U.S. presidential election campaign.

Recent data show Chinese exports remain in a funk, falling in October for the seventh month in a row. Overseas shipments slumped 7.3 per cent from a year earlier in dollar terms and exports to the US fell 5.6 per cent.

With imports from America down 6.9 percent last month, China's trade surplus with the US came in at US\$208bn for the first 10 months of 2016, slimmer than the US\$218.3bn in the same period in 2015. *(Bloomberg, 07.11.16)*

### EU to Allow Anti-dumping Tariffs

The EU is ready to use punitive anti-dumping tariffs on imports after a UK-led blocking minority of countries opposed to the reforms collapsed. Britain had been part of an alliance set on scuppering the plan as unnecessary and protectionist.

But the Netherlands and Austria indicated that they would throw their weight behind the proposal, leaving the UK likely to be outnumbered when EU member states vote on the plan in 2016. If introduced, the rules would bring a shift in EU trade policy by allowing the bloc to introduce far higher tariffs on products judged to be unfairly priced.

Among the potential targets would be Chinese steel, which has flooded the European market, putting domestic manufacturers under pressure and triggering job losses in the sector. *(FT, 12.11.16)*

### Global Trade to Pick-up from Q4 2016

Global trade is likely to start picking up from last quarter of 2016 on account of modest gains in export orders and container shipping, the WTO said. According to WTO's World Trade Outlook Indicator, "global trade will pick up slightly in the fourth quarter of 2016".

It said that the "air freight in particular has shown quite strong recent growth, while export orders and container shipping have recorded more

modest gains." Pick up in the trade would have positive implications for India as the country's exports have started recovering.

The outbound shipments grew by 4.62 per cent to US\$22.9bn in September. Shipments witnessed growth only in June 2016 thereafter again entered into negative zone in July and August. *(IE, 14.11.16)*

### Scrutiny on Chinese Metals

Growing US and European political pressure over Chinese steel exports has put Vietnam at the centre of a dispute that could widen tensions over international trade as well as regional security. US and Europe are investigating alleged shipments of Chinese metals through Vietnam to avoid tariffs in western countries.

The unwelcome attention could threaten the access Vietnam's exports enjoy in western markets. It could also bring Vietnam into conflict with Beijing, at a time when Vietnam's leaders have been improving defence cooperation with the US as a counterweight to China.

Both the US and the EU want to clamp down on metal shipments by Chinese exporters whose prices undercut domestic companies. Western aluminium businesses have alleged that Chinese production is passing through Vietnam for remelting and onward shipment to the US. *(FT, 15.11.16)*

### LNG Importers to Bring Equitable Deals

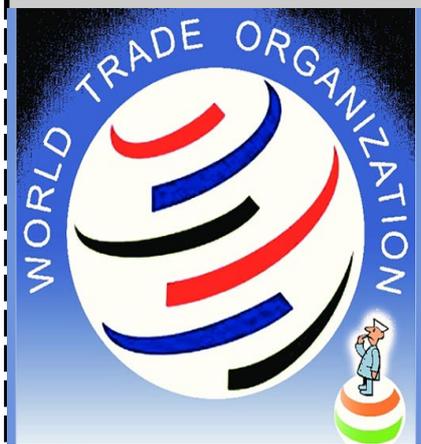
As the world's fourth-largest buyer of LNG India wants liquefied natural gas importers like Japan and Korea to join hands to bring more 'equitable; trade deals. India and Japan, in September 2013, had set up a multilateral group of buyers for LNG to push for lower prices for the fuel and New Delhi is now seeking other importers to join them.

While the global gas prices have cooled in line with oil rates in last two years, Asian countries sometimes paid five or six times more for the deep-chilled gas than piped gas consumed in North America, where prices have plunged because of growing availability amid a boom in production from shale deposits.

After joining ranks with Japan, India is keen to rope in South Korea and possibly also China in the buyers' club. *(ET, 06.12.16)*

## WTO Seeks Trade Deal on 'Green Products'

Leading global trading countries, including the US, China and Japan, meet in Geneva to establish a list of environmentally friendly products for which tariffs can be eliminated or reduced.



The green products include solar panels, wind turbines and air quality monitors "that can help achieve environmental and climate protection goals," the WTO said.

The officials hope to finalise an accord at the earliest but nothing is guaranteed, a source close to the WTO said. Talks on the Environmental Goods Agreement began in July 2014, based on a proposal at the World Economic Forum in Davos six months earlier.

If a deal is reached, countries will establish a list of reduced tariffs for each product in 2017. The WTO said the benefits of any agreement would be extended to all of its members. *(ET, 04.12.16)*

### EU-Canada Sign Free Trade Deal

The EU and Canada signed an FTA that aims to generate jobs and growth though it must still clear some 40 national and regional parliaments in Europe in the coming years to enter fully into force.

Canadian Prime Minister Justin Trudeau signed the treaty along with the heads of EU institutions, a step that should enable a provisional implementation of the pact early in 2017 with the removal of most import duties.

Assuming the European Parliament gives its assent, EU-Canada Comprehensive Economic and Trade Agreement (CETA) could come into force partially early 2017. However, full implementation will ensue only after clearance by more than three dozen national and regional parliaments.

*(Reuters, 30.10.16)*

### EU-US Challenged on 'Market Economy'

China has launched a legal challenge against the EU and US over their reluctance to treat it as a 'market economy' under WTO rules. Beijing is unhappy with a provision that allows trading partners to use a special formula and prices in third countries

to calculate punitive tariffs for non-market economies in anti-dumping cases.

It is pushing for the provision to expire with 15<sup>th</sup> Anniversary of its WTO membership. But the EU, US, Japan and other WTO members have resisted the move, prompting China to take the first step in launching a case with the global trade regulator.

The EU and US have resisted China's bid for market economy status amid a flood of cheap Chinese steel on to world markets, which has sparked a wave of politically sensitive anti-dumping cases.

*(FT, 12.12.16)*

### Gilead Ordered to Pay Merck & Co.

Merck & Co was awarded US\$2.54bn in royalties by a federal jury in a patent lawsuit against Gilead Sciences Inc over Gilead's blockbuster hepatitis C drugs Sovaldi and Harvoni. The jury in Delaware reached the verdict following a nearly two-week trial, finding that a patent acquired by Merck in 2014 on hepatitis C treatments was valid.

"The jury's verdict upholds patent protections that are essential to the development of new medical treatments," Merck said in a statement. Gilead spokeswoman Michele Rest said

the company disagreed with the verdict and would appeal it.

Harvoni and Sovaldi have drawn attention for their breakthrough success in curing hepatitis C in more than 90 percent of patients, and for their high cost.

*(Reuters, 16.12.16)*

### China Keen on E-Comm Deal

China recently submitted a detailed proposal on how to carry out negotiations on e-commerce, and more than 20 members, including the EU, the US and Brazil, have given their suggestions on its scope and scale.

India, Russia, Colombia and South Africa have, however, said that talks on e-commerce should be conducted in their mandated committees, indicating that attempts to fast-track decisions by pushing comprehensive proposals at a single forum must be discouraged.

China's proposal, co-sponsored by Pakistan and recently discussed at the WTO's Goods Council meeting, contains three discussion points. These include trade facilitation for cross-border e-commerce, transparency on e-commerce policies and assistance to improve infrastructure and technical conditions for developing country members.

It also suggests the exchange of information on regulations, such as consumer protection, privacy, and intellectual property rights.

*(BL, 21.11.16)*

### Rejection of Anti-Trade Attacks

World finance officials believe the answer to growing attacks on globalisation is not to erect new trade barriers but to do a better job of protecting workers harmed by free trade.

The finance officials are concluding talks with sessions of the policy-making bodies of the 189-nation IMF and its sister lending organisation, the World Bank. The meetings are coming amid a sizable anti-globalisation backlash following Britain's vote to leave the EU and the presidential campaign of Republican nominee Donald Trump.

The New York businessman has focussed on illegal immigration and America's huge trade deficits. But officials at these meetings say that a decades-long effort to tear down trade barriers has lifted millions of people in poor nations out of poverty.

*(IE, 08.10.16)*

## Services to Form 25% of Global Trade by 2030

As economic and political headwinds slow global trade in commodities and manufactured goods, opportunities linked to services will be more and are expected to form 25 per cent of global trade in a sustained manner by 2030, a report by HSBC said.



According to HSBC's Global Trade Forecast cross-border sales of services, such as tourism, banking, construction and software development has risen by one per cent in nominal terms.

The report opined that if governments refrain from introducing new impediments to trade, the

value of global goods exports is expected to recover gradually to expand by three per cent in 2017 and then 6 per cent a year to 2030. Services, meanwhile, will average seven per cent annual growth to contribute US\$12.4tn to global trade flows in 2030, up from an estimated US\$4.9tn in 2016.

*(ToI, 18.12.16)*

## Gender Pay Gap to Take 170 Years

The Swiss, World Economic Forum (WEF) in its Annual Gender Gap Index said that efforts to close gender gaps in pay and workforce participation slowed so dramatically in the past year that men and women may not reach economic equality for another 170 years.

And that statistic just a year ago predicted the economic gap between genders could close in 118 years, but progress has de-accelerated, stalled or reversed in nations around the world. Overall, Iceland and Finland ranked highest among the 144 nations measured on progress in equality, in education, health and survival, economic opportunity and political empowerment.

On the other hand, the economic gap has reverted to where it was in 2008 at 59 per cent, meaning women's economic participation and opportunity is a little more than half of what men have. *(TH, 27.10.16)*



### UN Grants Observer Status to ICC

In a landmark decision by 193 members of the UN General Assembly, International Chamber of Commerce has been granted 'observer status'. ICC is the world's largest business organisation representing more than 6 million members in over 100 countries.

The decision has been taken in the 71<sup>st</sup> session in New York- wherein for the first time a business organisation has been admitted as an observer at the UN General Assembly.

The decision paves the way for ICC to contribute directly to the work of the general assembly and reflects the vital role the private sector will play in implementing the UN's 2030 Agenda for Sustainable Development. *(FT, 15.12.16)*

### Rural Transformation to Reduce Poverty

A new report by the International Fund for Agricultural Development (IFAD) 2016, calls upon governments to put in place targeted policies and investments that focus on agricultural development i.e. sustainable, raises wages and creates off-farm jobs in rural areas.

"The speed of rural transformation is positively correlated with the extent of poverty reduction. Vietnam, China and Indonesia had faster rural transformation and faster rural poverty reduction. On the contrary, the Philippines, Pakistan and India had slower rural transformation with slower annual poverty reduction" said Fabrizio Bresciani, IFAD's Regional

Economist for the Asia and Pacific.

This report provides an insight into the Asia and Pacific regional and country specific challenges and highlights the centrality rural and agricultural development to overall economic growth. *(BL, 19.10.16)*

### UN not to Reduce Number of LDCs

The UN is unlikely to meet its own target of reducing the number of least developed (LDC's) by half within 2020, as the process of socio-economic transformation is moving ahead slowly in many LDCs, including Nepal, says a report.

Also, The Istanbul Programme of Action (IPoA) introduced in 2011 had envisaged graduation of at least half of 49 LDCs by 2020. But so far only 4 LDCs have moved to the grouping of developing nations, says the Least Developed Countries Report 2016 launched by UN Conference on Trade and Development.

The UN has projected 16 LDCs to graduate in between 2017 and 2024. But even if all of these countries graduate, the target of reducing the number of LDCs by half within 2020 will not be met. The report lays out various problems which have led to fall in economic growth in LDCs. *(KP, 18.12.16)*

### Japan Opens up to Foreign Workers

Japan has become the only country where the number of foreign workers, though still relatively small, has nearly doubled over the past eight years. Japan

will allow more unskilled workers to enter temporarily, as companies struggle to fill positions in a country with the lowest unemployment rate among G7.

Prime Minister Shinzo Abe has made it clear that opening the country to permanent immigration by unskilled labour isn't an option, reflecting an historic fear among the Japanese people that foreigners would cause social unrest and erode national identity.

"In Japan, the word immigration is not used. Instead it is referred to as guest workers" says the PM. *(BS, 16.11.16)*

### Top Source of International Migrants

India is the top country of origin of international migrants, with 15.6 million Indians living abroad, according to a Pew research which said international migrants make up 3.3 per cent of the world's population.

The research also revealed that nearly 3.5 million Indians lived in the UAE, the world's second largest migration corridor. Unlike the Mexico-US corridor, the number of Indians living in the UAE and other gulf countries has increased substantially during the past decade, from 2 million in 1990 to more than 8 million in 2015.

Pew said, "most have migrated for economic opportunities in these oil-rich countries." Among destinations countries, the US has more international migrants than any other country. *(ToI, 19.12.16)*

**EU-Nigeria's Talk on Migrants**

The EU and Nigeria have started formal talks in Abuja on a deal to send back the country's economic migrants, as part of the bloc's latest move to stem the exodus of Africans to Europe.

The delegation of 15 EU officials have also dealt with the plans to direct private European money to infrastructure projects in the west African country. This is conceived to be a part of a long term goal to raise up to •60bn of private funds to stem migration from nations including Nigeria.

The EU has already outlined plans to retarget about •8bn over the next four years to help countries with large number of would be migrants.

*(FT, 24.10.16)*

**Globalisation Needs an Inclusive 'Face'**

The International Monetary Fund (IMF) Managing Director Christine Lagarde opines that the supporters of globalisation need to develop a new way to promote open markets that relies on smaller trade deals and helps people who are feeling left out.

The IMF forecasts that the global economy will expand 3.1 per cent in

2016 before accelerating to 3.4 per cent in 2017. Still, it has warned that rising political tensions over globalisation are threatening to derail a world recovery that lacks a reliable growth engine. The political turmoil ranging from election of US President Donald Trump to Brexit, everything has to be closely monitored as a whole.

"I certainly hope there is not a move toward deglobalisation, I equally think we have to move towards globalisation that has a different face, and which is not excluding people along the way" says the first woman to lead the IMF, Lagarde.

*(BS, 03.12.16)*

**Overseas Household Transfers Down**

A recent Reserve Bank of India (RBI) data reveals a decline in India's net personal transfers from US\$15.73bn in April-June 2015 to US\$13.82bn in the quarter ended June 2016.

Of this the direct workers remittances fell three per cent to US\$8.82bn during the 3 months as against US\$9.09bn in 2015's quarter. A World Bank Report on Remittances however claims that the remittances to the region are expected to decline by

2.3 per cent in 2016, following a 1.6 per cent decline in 2015.

"Remittances from the GCC countries continued to decline due to lower oil prices and labour market 'nationalisation' policies in Saudi Arabia." Also, the report expects the remittance flow to decline by 5 per cent in India and 3.5 per cent in Bangladesh, whereas they are expected to grow by 5.1 per cent in Pakistan and 1.6 per cent in Sri Lanka.

*(IE, 09.10.16)*

**UK to Crackdown on Foreign Workers**

UK plans to crack down on foreign workers has led to the eruption of a worldwide dismay, with a backlash spreading across continental Europe and as far as Asia. The proposal by Amber Rudd, Home Secretary at the Conservative Party Conference would force UK companies to disclose the proportion of overseas staff they employ to ensure jobs are not being taken from local workers.

Rudd denied this was a racist policy, saying it was merely aimed at nudging employers towards 'better behaviour'. That did little to assuage opinion in Europe where public officials and the media portrayed it as xenophobic and out of character with the open and tolerant Britain they thought they knew.

"This is not the UK that we have always known: it is the crib of democracy," Mario Giro, Italy's Deputy Foreign Minister said.

*(FT, 07.10.16)*

**Remittance to India to Drop 5%**

India, the world's largest remittance recipient in 2015, may receive a remittance of US\$65.5bn in 2016, a drop of five per cent, the World Bank (WB) said in a new report citing weak economic growth in remittances source countries and cyclic oil prices.



Despite the drop, India is likely to top the list of countries receiving remittance. WB said that India will be followed by China (US\$65.2bn).

It is also claimed that the remittance to South Asia is expected to decline by 2.3 per cent, following a 1.6 per cent decline in 2015. This has been attributed mainly due to weak economic growth in remittances-source countries and cyclic low oil prices.

*(BS, 08.10.16)*

**Immigration Rules Tightened**

With the onset of immigration rules across countries tightening in recent years, things have become decidedly tougher with hiring staff for curry houses. With fewer chefs from India and Bangladesh available to hire, the cost of recruiting them has gone up.

Brexit has only made the matters worse, with the price of some goods such as alcohol set to rise in the New Year, following the collapse of the pound.

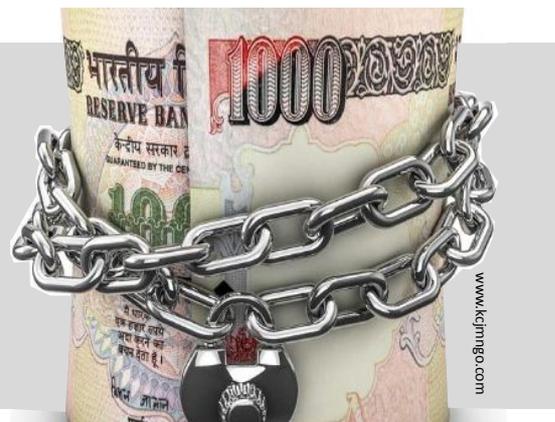
As Britain's curry industry faces tough times- a kingfisher beer survey found that in the last 18 months, over 1,000 curry houses, or 13 per cent of the total, closed down. They have become an increasing part of the political debate in the country.

*(TH, 09.11.16)*

## Demonetisation Dos and Don'ts

Gita Gopinath\*

*On November 08, 2016, Indian Prime Minister Narendra Modi's government announced that all 500- and 1,000-rupee notes in circulation would no longer be considered legal tender, and would need to be exchanged for new 500- and 2,000-rupee notes. Modi's 'demonetisation' intervention affected 85 per cent of the money in circulation in India. It was an unprecedented move, whether in India or almost anywhere else, and it is by far Modi's boldest policy intervention to date.*



The Modi government is targeting the 'black money' associated with tax evasion, corruption, and counterfeiting, and thus the drug traffickers, smugglers, and terrorists who engage in those activities. India's tax-paying salaried classes and even the poor initially welcomed the policy enthusiastically, viewing it as sweet revenge against tax evaders who had stowed away their ill-gotten gains; they reveled in anecdotes of corrupt officials burning bags of cash or throwing money into India's rivers.

But with each passing day, that initial cheer diminishes. Public frustration is now mounting, because the government has failed to meet the demand for new printed notes. Commerce in India – where the cash-to-GDP ratio is 10 per cent – relies heavily on cash transactions, and informal economy and small-business operations have now ground to a halt, owing to long lines and tight cash-withdrawal limits at banks and shortages at ATMs.

The near-term impact will be the equivalent of an 'anti-stimulus' policy intervention, and the consequent drag on demand will be significant. Moreover, as real-estate prices decline, so, too, will household wealth. Although lower house prices will make new homes more affordable, the stock of occupied homes will far exceed new purchases in the near term, so the negative-wealth effect will overwhelm the gains.

Given these large upfront costs, it is reasonable to ask how effective demonetization is in fighting tax evasion and corruption, and if there is a less costly approach to demonetization.

In a new book, *The Curse of Cash*, Kenneth Rogoff champions the elimination of high-denomination notes in order to fight tax evasion and criminal activity. Rogoff furnishes extensive evidence that making it costly to hoard cash would deter illegal activities. While tax evaders also store their wealth in non-monetary forms, such as land, art, and jewellery, cash remains a leading vehicle for ill-gotten gains, owing to its inherent liquidity. In other words, questions posed by Modi's critics about the role of cash in feeding stockpiles of black money are misplaced.

That said, Rogoff proposes a different strategy to address the menace of black money – one that would be minimally disruptive and arguably more effective, at least in the long run. That strategy would depart from the Modi government's intervention in two fundamental ways. First, it would be gradualist, implemented over several years. Second, it would permanently eliminate high-denomination notes.

While this gradualist strategy would not punish existing hoarders, who would find creative ways to recycle their cash in the interim, it is more likely to

improve tax compliance and reduce corruption over time, as large-denomination notes are permanently taken out of circulation. India's current policy of replacing 1,000-rupee notes with 2,000-rupee notes undermines the long-term effectiveness of its policy.

Moreover, the gradualist approach is administratively practical, minimizes the collateral damage to the real economy and ensures that there is enough time to extend financial services and financial literacy to larger parts of India. Over the last two years, the Modi government has made an impressive push for financial inclusion with its *Jan Dhan* programme, which has facilitated the creation of 220 million new bank accounts. But many people who create accounts do not necessarily use them. A 2015 World Bank study of bank-account usage and dormancy rates across different regions found that only 15 per cent of Indian adults reported using an account to make or receive payments. In this environment, a cash scarcity is economically crippling.

Modi's policy intervention is bold, and the economic principles motivating it are beyond reproach. But a gradualist approach that includes the permanent withdrawal of large notes would have served the cause better, even if it did not generate the same 'shock and awe' as the current policy. This will become more apparent as the large costs to the economy emerge over the next several months.

\* Professor of Economics at Harvard University  
Excerpts from an article in *Project Syndicate* on November 24, 2016

# Compendium on Sustainable Agricultural Practices

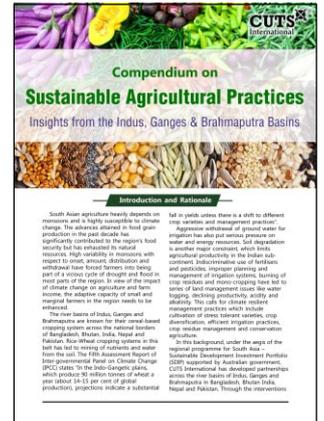
## Insights from the Indus, Ganges & Brahmaputra Basins

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

More specifically these practices aim to:

- Imparting technical knowledge for better management of resources;
- Building adaptive capacity and resilience of small farmers against climate change;
- Enhancing productivity in marginal land and assure food security; and
- Sharing successful models of institutional frame work for enhancing skills.

[www.cuts-citee.org/SDIP/pdf/SDIP-Compendium\\_on\\_Agriculture.pdf](http://www.cuts-citee.org/SDIP/pdf/SDIP-Compendium_on_Agriculture.pdf)



## Significance of Grid Connected Rooftop Solar Photo Voltaic in Kolkata and other Urban Spaces of West Bengal

The threat of climate change has been a matter of concern, globally. India too has pledged voluntarily at Paris Climate Conference in 2015 (COP21), the 2015 Paris Climate Conference to reduce carbon emission intensity, create an additional carbon sink by increasing forest coverage and also to increase the share of renewable in the power mix. To meet up with the target set by the central nodal agency for Renewable Energy, several states have been adopting measures to increase the renewable energy proportion. Availability and affordability of land has been a major challenge in the state of West Bengal.

Given this background, this Briefing Paper has tried to analyse the significance of utilising the unused free rooftop spaces in Kolkata and other urban areas of West Bengal to implement grid-connected rooftop solar power plants.

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