The global economy in 2018

By Michael Spence/Hong Kong

Economists like me are asked a set of recurring questions that might inform the choices of firms, individuals, and institutions in areas like investment, education, and jobs, as well as their policy expectations. In most cases, there is no definitive answer. But, with sufficient information, one can discern trends, in terms of economies, markets, and technology, and make reasonable guesses.

In the developed world, 2017 will likely be recalled as a period of stark contrast, with many economies experiencing growth acceleration, alongside political fragmentation, polarisation, and tension, both domestically and internationally. In the long run, it is unlikely that economic performance will be immune to centrifugal political and social forces. Yet, so far, markets and economies have shrugged off political disorder, and the risk of a substantial short-term setback seems relatively small.

The one exception is the United Kingdom, which now faces a messy and divisive Brexit process. Elsewhere in Europe, Germany’s severely weakened chancellor, Angela Merkel, is struggling to forge a coalition government. None of this is good for the UK or the rest of Europe, which desperately needs France and Germany to work together to reform the European Union.

One potential shock that has received much attention relates to monetary tightening. In view of improving economic performance in the developed world, a gradual reversal of aggressively accommodative monetary policy does not appear likely to be a major drag or shock to asset values. Perhaps the long-awaited upward convergence of economic fundamentals to validate market valuations is within reach.

In Asia, Chinese President Xi Jinping is in a stronger position than ever, suggesting that effective management of imbalances and more consumption- and innovation-driven growth can be expected. India also appears set to sustain its growth and reform momentum. As these economies grow, so will others throughout the region and beyond.

When it comes to technology, especially digital technology, China and the United States seem set to dominate for years to come, as they continue to fund basic research, reaping major benefits when innovations are commercialised. These two countries are also home to the major platforms for economic and social interaction, which benefit from network effects,1closure of informational gaps, and, perhaps most important, artificial-intelligence capabilities and applications that use and generate massive sets of valuable data.

Such platforms are not just lucrative on their own; they also produce a host of related opportunities for new business models operating in and around them, in, say, advertising, logistics, and finance. Given this, economies that lack such platforms, such as the EU, are at a disadvantage. Even Latin America has a major innovative domestic e-commerce player (Mercado Libre) and a digital payments system (Mercado Pago).

In mobile online payments systems, China is in the lead. With much of the country’s population having shifted directly from cash to mobile online payments – skipping checks and credit cards – China’s payments systems are robust.

Earlier last month on Singles’ Day, an annual festival of youth-oriented consumption that has become the single largest shopping event in the world, China’s leading online payment platform, Alipay, processed up to 256,000 payments per second, using a robust cloud computing architecture. There is also impressive scope for expanding financial services – from credit assessments to asset management and insurance – on the Alipay platform, and its expansion into other Asian countries via partnerships is well underway.

In the coming years, developed and developing economies will also have to work hard to shift toward more inclusive growth patterns. Here, I anticipate that national governments may take a back seat to businesses, subnational governments, labour unions, and educational and non-profit institutions in driving progress, especially in places hit by political fragmentation and a backlash against the political establishment.

Such fragmentation is likely to intensify. Automation is set to sustain, and even accelerate, change on the demand side of labour markets, in areas ranging from manufacturing and logistics to medicine and law, while supply-side responses will be much slower. As a result, even if workers gain stronger support during structural transitions (in the form of income support and retraining options), labour-market mismatches are likely to grow, sharpening inequality and contributing to further political and social polarisation.

Nonetheless, there are reasons to be cautiously optimistic. For starters, there remains a broad consensus across the developed and emerging economies on the desirability of maintaining a relatively open global economy.

The notable exception is the US, though it is unclear at this point whether President Donald Trump’s administration actually intends to retreat from international co-operation, or is merely positioning itself to renegotiate terms that are more favourable to the US. What does seem clear, at least for now, is that the US cannot be counted on to serve as a principal sponsor and architect of the evolving rules-based global system for fairly managing interdependence.

The situation is similar with regard to mitigating climate change. The US is now the only country that is not committed to the Paris climate agreement, which has held despite the Trump administration's withdrawal. Even within the US, cities, states, and businesses, as well as a host of civil-society organisations, have signalled a credible commitment to fulfilling America's climate obligations, with or without the federal government.

Still, the world has a long way to go, as its dependence on coal remains high. The Financial Times reports that peak demand for coal in India will come in about ten years, with modest growth between now and then. While there is upside potential in this scenario, depending on more rapid cost reductions in green energy, the world is still years away from negative growth in carbon dioxide emissions.

All of this suggests that the global economy will confront serious challenges in the months and years ahead. And looming in the background is a mountain of debt that makes markets nervous and increases the system's vulnerability to destabilising shocks. Yet the baseline scenario in the short run seems to be one of continuity. Economic power and influence will continue to shift from west to east, without any sudden change in the pattern of job, income, political, and social polarisation, primarily in the developed countries, and with no obvious convulsions on the horizon. – Project Syndicate

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Erdogan holds all the cards in the Jamal Khashoggi mystery

*(CNN)*It was trailed as Turkish President Recep Tayyip Erdogan’s great reveal. Finally, after weeks of murky leaks to journalists, Turkey clearly wanted to give the impression that it was going to provide evidence that tied Saudi’s Crown Prince, Mohammed Bin Salman, to the murder of Jamal Khashoggi.

But his address to Turkey’s parliament on Tuesday will have pleased US President Trump as much as it will have the Saudis: it contained no smoking gun directly implicating his Middle East ally.
Erdogan, however, did kick enough dirt and, along with copious leaks over recent weeks from his officials, leaves a Damoclean sword dangling over both Trump and bin Salman.
Erdogan says Khashoggi was victim of ‘ferocious’ pre-planned murder
There is no doubt that US CIA chief Gina Haspel, who recently arrived in Turkey, will be hoovering up any more scraps she

can get out of Erdogan’s tight grip — specifically on the much talked-about recording of Khashoggi’s “ferocious murder,” of which Erdogan made no mention.

He did, however, drop some new claims that hadn’t yet been drip-fed to journalists: that a private jet flew in the day before Khashoggi’s killing with three Saudis aboard; that Saudis at the consulate removed security cameras before Khashoggi arrived; and that a team of consular staff did reconnaissance on a forest on the outskirts of Istanbul and at Yalova, a city about a 55-mile (90-kilometer) drive south of Istanbul.

He also specifically pushed back on Saudi claims of an accidental killing of Khashoggi, saying: “We have significant signs that this was not something spontaneous, that it was planned,” adding that “In light of the known facts, there are certain questions that people are asking.”

His speech amounted to many more questions, for which Erdogan demanded answers:

“Why did these 15 people, all of whom had qualifications related to the incident, gather in Istanbul on the day of the murder? We want an answer to that question. On whose orders did these people come there? We want an answer. Why was it only possible to access the consulate building days later, and not immediately? We want an answer.”

He appealed to King Salman of Saudi Arabia — whose grip on power and whose own faculties have been an open question in western capitals of late — to help answer a number of questions — top among them, the whereabouts of Khashoggi’s body.

He also demanded that Saudi Arabia explain why it had 15 top officials fly in and out of Turkey on chartered jets, all congregating at the consulate in the hours before Khashoggi’s arrival, and dispersing back to Saudi soon after.

Saudi Aramco CEO on Khashoggi’s death 01:27

His conclusion? That Khashoggi’s “ferocious murder” could not have happened without planning and approval from the highest levels, which Saudi still denies.

“Trying to blame a few members of the security and intelligence staff for such an incident will satisfy neither us, nor the international community. The collective conscience of humanity will deem it satisfactory only when everyone who is responsible, from the person who gave the order to those who executed it, is called to answer.”

So, not quite the “nothing will remain hidden” speech that was promised by his party officials, but also not entirely a damp squib.

However, for the 20 minutes it took him to set out his narrative in contradiction to the Saudi explanation, Erdogan had the world’s attention.

And he used it to maximum effect, demanding Turkish jurisdiction over the investigation – openly challenging the Saudi justice minister, who over the weekend claimed the case as theirs to investigate.

Erdogan said: “I am calling on the King of Saudi Arabia, and the highest level of the Saudi administration. The incident has occurred in Istanbul. Therefore, I propose that this team of 15+3 people, 18 people in total, who have been arrested, should be tried in Istanbul. The decision will be theirs. But this is my proposition.”

Khashoggi’s death taking place on his doorstep has handed Erdogan the single largest piece of leverage he is ever likely to have over his regional nemesis, the Saudi Crown Prince.

Whereabouts of Khashoggi’s body still unknown 02:20

Many in Turkey believe that the Crown Prince’s bill is finally coming due. Erdogan seems to be gambling that western leaders agree.

Bin Salman’s hard-line approach to leadership has graduated from kidnapping a Prime Minister to locking up members of his own family to attempting to blow up his relationship with Canada.

Now, if Erdogan’s assertions are correct, bin Salman’s coup de grâce could be complicity in the murder of a journalist.

If no one in Riyadh will tell the emperor he has no clothes, Erdogan appears to be trying to build an international consensus so the young Crown Prince gets the message.

In retrospect, it seems unconscionable he could have been allowed to get this far. Stranger that it could take a figure like Erdogan to take him down over the issue of human rights and freedom of speech.

Erdogan’s jails hold many journalists critical of him and he has amassed the powers of his once semi-democratic state in his own authoritarian hand. He is hardly a paragon of virtue.

But bin Salman represents an enduring if not existential threat to his state.

At 33, bin Salman is set to become King and a regional power broker for decades. Erdogan’s political Islam is one of the biggest threats to his royal rule.

In the end, Erdogan’s speech was more a reveal of his own strategy than lurid details and evidence of the murder and responsibility itself.

Right now, Erdogan simply didn’t need to reveal his full hand, because the three most important people listening today will have heard the message loud and clear.

King Salman, Trump and the Crown Prince will know exactly what Erdogan intends to do next: drip incriminating information until he gets what he wants – the trial of 18 senior Saudis on his turf, bin Salman brought to heel and who knows what else from President Trump.

Khashoggi case has put Saudi prince right where Erdoğan wants him

At about noon on Tuesday two regional leaders are due to make landmark addresses. In Riyadh, the de facto ruler of Saudi Arabia, Mohammed bin Salman, will open an investment showpiece declaring the kingdom open for business. In Ankara, the Turkish president, Recep Tayyip Erdoğan, is expected to make a speech that may well shut down the beleaguered kingdom.

Such are the stakes when Erdoğan takes to a podium to discuss the death of the Saudi dissident Jamal Khashoggi that the region may not be the same when he’s finished.

Three weeks to the day since Khashoggi vanished after entering the Saudi consulate in Istanbul, Erdoğan has pledged to table the “naked truth” about what happened to the columnist and critic, whose fate continues to grip both countries and polarise the Middle East.

If he stays true to his pledge, much of the evidence that Turkey has gathered, incriminating Saudi Arabiain a plot to kill Khashoggi, will be revealed: in pictures, video and even bloodcurdling audio said to document his torture and death.

Setting the scene on Monday, a spokesman for the ruling party for the first time described Khashoggi’s death as a “complicated murder” that was “monstrously planned”.

That Erdoğan, not his bureaucrats, is now prepared to put his name to the material takes this extraordinary event to a new level. The Turkish strongman is expected to accuse the inner sanctum of power in Riyadh of organising a hit on Khashoggi, directly contradicting its claims that state officers had acted beyond their authority in an attempt to please their masters.

Such an allegation carries with it a weight not yet seen in Riyadh, where blanket early denials had first given way to begrudging disclosures, then partial admissions, cover-ups and fall guys. Dread is the order of the day, as the already-troubled investment conference looms. And in some quarters of the royal court, a palpable sense of panic has taken hold.

Erdoğan has the Saudis – in particular, the crown prince, Mohammed bin Salman (AKA MbS) – right where he wants him. Out of crisis has come opportunity for the veteran Turkish leader, who has never warmed to the brash 33-year-old, and thinks even less of his regional allies.

The two men have vastly different visions for the future of the region: Erdoğan has been a champion of political Islam both at home and abroad, particularly since the rise and fall of Mohamed Morsi, the ill-fated former president of Egypt who hailed from the Muslim Brotherhood. The Turkish president has partnered with Qatar, Riyadh's regional foe, given shelter to those exiled after Morsi fell, and remained a bulwark for a movement that Riyadh and its ally the United Arab Emirates see as existential threats.

But he has remained on the losing end of the struggle for regional power and influence.

The prince, meanwhile, has been attempting to remodel Saudi Arabia, eschewing its deep links to the Wahhabi, Salafi religious establishment and turning it into an Arab nationalist police state. Abu Dhabi and Cairo are models here. And with Riyadh, the triumvirate had been in the ascendant regionally, ever since Morsi fell.

For Erdoğan, the gruesome killing marks a historic moment: a chance to turn the tables gifted to him by a cruel and reckless act that has sparked lasting revulsion, even among the kingdom's allies.

"This has become a strategic struggle between Erdoğan and his vision for the Middle East and a vision shared by MbS and his allies, MbZ [Mohammed bin Zayed, the crown prince of Abu Dhabi] and [the Egyptian president Abdel Fatah] al-Sisi," said Soner Çağaptay, the director of the Turkish programme at the Washington Institute.

"Erdoğan sees an opportunity in the Khashoggi murder – in that he realises MbS has become the weakest link in the anti-Erdoğan, anti-Muslim Brotherhood corner of the region. This is really thin ice that MbS is dancing on and I think Erdoğan is attempting to make it even thinner.

"The roots really go back to 2013 [when Morsi was forced out of power]. He has refused to deal with the Sisi government, calling it illegitimate. Sisi is the secularist general who locked up political Islamists. And Erdoğan is the political

Islamist who locked up secularist generals."

Senior Saudis who sought solace from Erdoğan in Ankara in the past fortnight left town believing he had an even bigger prize in sight – relaunching Turkey as a regional Islamic power base, while diminishing Riyadh's claim to be the pre-eminent voice for Sunni Islam.

Khaled al-Faisal, the governor of Mecca, returned after seeing Erdoğan and was really worried, one senior member of the royal family has revealed. "He wasn't budging, he didn't want to listen to anything we said. Al-Faisal came back and told the King we have a crisis."

Çağaptay believes Erdoğan's goals are more limited – for now. "He wants not to go after the Saudi royal family, to whom he's deferential, including the King. What he's trying to get out of this is to sideline, or maybe even neutralise MbS at least when it comes to Turkey. He wants to take one of his opponents out of that triple entente that opposes him."

Opening – Deaths of journalists must be rigorously investigated

President Tajani called for an international inquiry into the death of journalist and writer Jamal Khashoggi, at the opening of the session in Strasbourg.

“This Parliament will always be at the forefront of defending the freedom of the press and journalists”, said President Tajani, calling for a rigorous, international inquiry to clarify the circumstances of the death of journalist and writer Jamal Khashoggi. Parliament demands that the Saudi Arabian authorities find and punish the perpetrators of this heinous crime, he said.

A year after her death, Daphne Caruana Galizia, the Maltese journalist who was killed for her investigations, was also remembered.

President Tajani offered condolences to the families of the victims of floods in recent weeks in France, Spain and Italy.

He also expressed Parliament’s condolences to the families of the victims of the attacks on polling stations in Afghanistan.

Changes to the agenda

Tuesday

- The title of the HR/VP statement on “The disappearance of the Saudi journalist Jamal Khashoggi” will be changed to “The killing of journalist Jamal Khashoggi in the Saudi consulate in Istanbul”.
- The Council and Commission statements on “The Cum Ex Scandal: financial crime and the loopholes in the current legal framework ” will be added, as the second item in the afternoon.The debate will be wound up with a resolution, to be voted in November or December.
- The Council and Commission statements on “Need for a comprehensive Democracy, Rule of Law and Fundamental Rights mechanism” will be added, as the fifth item in the afternoon. The debate will be wound up with a resolution, to be voted on in November.

Thursday

In the afternoon slot, the Oral Question on the “Fair market for industry” will be replaced by a Commission statement, with the same title and in the same slot.

Requests by committees to start negotiations with Council and Commission

Decisions by several committees to enter into inter-institutional negotiations (Rule 69c) are published on the plenary website.

If no request for a vote in Parliament on the decision to enter into negotiations is made by Tuesday 24.00, the committees may start negotiations.

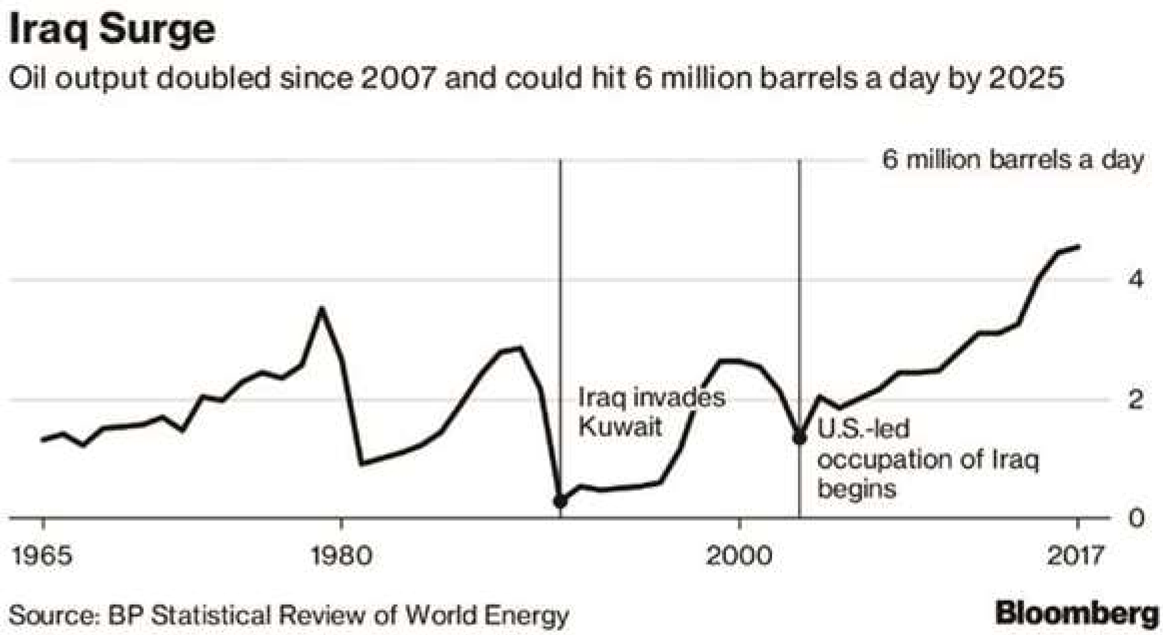
Arabie saoudite: MBS, le tyran qui a dupé l’Occident

L’assassinat de Khashoggi dévoile la vraie nature du régime: derrière le modernisme affiché, une barbarie d’un autre temps.

Il prétend guider jusqu’aux rivages de la modernité une pétromonarchie ensablée dans ses archaïsmes, mais son ascension dépoussière trois figures mythologiques de l’Antiquité grecque ou romaine : Icare, Narcisse et Janus.

Ecoutez Vincent Hugeux parler de son enquête sur Mohammed Ben Salmane, le prince héritier saoudien qu’on soupçonne d’avoir fait assassiner le journaliste Jamal Khashoggi (sur SoundCloud).

World’s fourth-biggest oil producer can’t keep the lights on



Bloomberg/Dubai

Iraq is fast becoming a global oil powerhouse, gaining stature in Opec after it surpassed Canada this year as the world’s fourth-biggest producer.
But the war-ravaged country has little to show for its feat.
While crude markets are preoccupied with Saudi Arabia’s ability to boost output as impending US sanctions curb Iranian exports, Iraq has quietly increased shipments to Asia, Europe and the Mediterranean region to offset Iran’s missing barrels.
Iraq is producing a record 4.78mn barrels of oil a day, the country’s Oil Minister Jabbar al-Luaibi said on Saturday.
Output will rise to 5mn barrels a day in 2019 and 7.5mn in 2024, he said.

Consultant Wood Mackenzie forecasts Iraq could pump 6mn barrels a day by 2025 and that its output is set to grow faster than for all countries but the US over the next six years.

For all its petro-wealth, Iraq lacks steady electricity supplies and has trouble keeping the lights on — and attracting the kinds of investment needed to create jobs and spur local businesses.

“An increase in production is good news, but Iraq still fails to provide basic services like clean water and power to its citizens, including in Basra where most of the oil is extracted,” said Ziad Daoud, Bloomberg’s chief economist in the Middle East.

Most indicators in Iraq beyond oil show little promise. Political tensions continue to simmer due to Baghdad’s stalemate with the country’s semi-autonomous Kurds.

Oil prices have doubled since 2016, bolstering Iraq’s finances, yet the country’s stock index is down 30% over the same period. More than $32bn of foreign direct investment has flowed out of the country over the past five years, according to UN data.

Fifteen years after the US led a military coalition to oust Saddam Hussein’s regime, “people are frustrated that they don’t have 24-hour electricity, that the infrastructure and healthcare are poor,” said Ali al-Mawlawi, head of research at Baghdad-based think tank Al-Bayan Center. “Wealth isn’t trickling down in a fair and equitable way.”

Security improvements and efforts to form a new government are cause for some optimism, al-Mawlawi said in a phone interview. Yet persistent corruption and a cumbersome bureaucracy make “foreign companies apprehensive about investing,” he said.

None of this seems to matter for the oil industry in Iraq, the second-biggest member of the Organisation of Petroleum Exporting Countries after Saudi Arabia.

Oil majors like Exxon Mobil Corp, Total SA, Lukoil PJSC and Gazprom PJSC sat out the latest auction for Iraq’s oil and gas blocks in April, but smaller companies from the United Arab

Emirates and China succeeded in securing contracts.
International oil companies are responsible for two-thirds of Iraq’s current production, and their capital and technology are crucial to maintaining and raising output, said Ian Thom, Wood Mackenzie’s principal analyst for Middle East upstream.
As long as the government keeps paying foreign oil companies in full and on time, producers can extract reasonable returns from Iraq’s low-cost fields, even if crude drops to $30 a barrel, Thom said. Brent crude, the global benchmark, has traded at an average of more than $73 this year.
“Iraq will not struggle to find foreign investors to grow its oil sector,” Daoud said. “The challenge is to attract capital and expertise to benefit the broader economy.”

Qatar’s 43% jump in LNG production to 110mn tonnes to commence by 2024: Al-Sada

Nagoya City

Qatar’s 43% increase in liquefied natural gas production to 110mn tonnes per year is planned to commence by 2024, said HE the Minister of Energy and Industry Dr Mohamed bin Saleh al-Sada.

Qatar, with its current 77mn tonnes exports, stands as the biggest LNG supplier, accounting for nearly one fourth of the global LNG trade, al-Sada said at the ‘7th LNG Producer–Consumer Conference 2018’ in Nagoya City, Japan on Monday.

In 2017, the minister noted, “His Highness the Amir of the State of Qatar, Sheikh Tamim bin Hamad al-Thani, instructed to increase LNG production by 43% from the current 77mn to 110mn tonnes per year. This production is planned to commence by 2024, thereby largely contributing to global efforts to bridge the gap between the supply and demand of LNG, which is expected to emerge starting mid-2020s due to demand growth.”

Al-Sada emphasised that Qatar “placed its relationship with its customers on top of its priority” list.

He added that despite the “unjust and illegal blockade” by its neighbours, Qatar had not missed out a single shipment to its valued customers worldwide.

Al-Sada said gas was forecast to be the fastest-growing fossil fuel in the global energy mix. He added that the growth rate of LNG has surpassed all other sources of energy.

The minister stressed that the second wave of LNG-production, led by the addition of four world-class LNG trains in Qatar, besides upcoming substantial producing facilities in the US, Mozambique, Canada and other countries will further boost international LNG trade.

HE Dr al-Sada with US Deputy Secretary of Energy Dan Brouillette on the sidelines of the '7th LNG Producer – Consumer Conference 2018' in Nagoya City, Japan

Al-Sada noted the growing LNG trade was a "second revolution" of natural gas, and a "natural evolution" to meet the rising need for cleaner energy, delivered at the doorstep of consumers around the world.

The minister added that by 2040, LNG is expected to exceed the volumes of gas delivered by pipeline and will make up the bulk of gas trades for the first time.

Al-Sada, who headed the Qatar's delegation to the conference, met on the sidelines Dan Brouillette, US Deputy Secretary of Energy. The two sides discussed matters of common interest in the field of energy.

The minister also met Dr Fatih Birol, IEA executive director, and discussed the latest developments in the oil and gas markets.

The LNG Producer-Consumer Conference is a global annual forum, providing an opportunity to promote active dialogue among LNG producers, consumers and other stakeholders with a view to deepening shared understandings of market trends and to developing the global LNG market.

Moody’s upgrades Qatar banking sector outlook to ‘stable’

Santhosh V. Perumal
Global credit rating agency Moody’s has upgraded Qatar’s banking sector outlook to “stable” from “negative”, reflecting the resilience of the country’s economy and banking system to the ongoing economic and diplomatic blockade.

The rating agency also noted that the country’s banking sector profitability will remain “stable” with capital buffers remaining “strong”.

Highlighting that the banks’ operating environment stand to benefit from higher economic growth, Moody's forecasts Qatar's real gross domestic product (GDP) to grow 2.7% in 2018 (against 1.6% a year ago), supported by high levels of public spending.

Qatar remains among the fastest growing economies in the Gulf Cooperation Council (GCC), with momentum fuelled by government-financed infrastructure projects both as part of the country's National Development Strategy and preparations for the 2022 FIFA World Cup, supporting the resilience of the operating environment and the banking system, it said in a report.

Highlighting that the Qatari economy has rebalanced as the supply chain disruptions following the blockade recovered rapidly with initial levels of imports restored in less than four months into the blockade; the rating agency said this illustrates the economy's flexibility and policy effectiveness in re-routing supplies.

Expecting Qatari banks' profitability to remain "stable" over the review period, with return on assets at around 1.4% by 2019; Moody's said Qatari banks' interest rate margins are slated to remain stable at 2.2% achieved in 2017, because the gaps between credit growth and deposit growth have been narrowing, reducing pressure on funding, which will support funding costs.

Moreover, Qatari banks have started re-pricing assets, which will further support any generalised increase in funding costs due to current rising interest rate environment.

Although a modest rise in non-performing loans are expected, necessitating "moderately" higher provisioning charges, it, however, said the adoption of the IFRS 9 accounting standard in the first quarter of 2018 means the early recognition of expected losses will ultimately support profitability over the outlook period.

“Qatari banks’ profitability will be supported by the system’s strong efficiency. Qatar’s small and concentrated population means that banks can service their customers without the need for an extensive (and costly) branch network,” Moody’s said, forecasting that the system’s cost-to-income ratio will remain between 25% and 30% into 2019, the lowest among GCC banks.

Moody’s said capital buffers remain strong with tangible common equity expected to remain “stable” around 15.5% of risk-weighted assets by end 2019, driven by slower than normal credit growth and higher profit retention, counterbalancing the impact on the recognition of expected credit losses taken from the reserves for the implementation of IFRS 9.

Qatari banks’ capital adequacy compares favourably with their GCC peers

“Under our base-case (or most likely) scenario, we expect the system-wide capital ratio to increase slightly over a two-year horizon, to 15.7% by end-2019, from 15.5% in 2017. This will be mainly driven by healthy pre-provision income,” Moody’s said.

Finding that Qatari banks maintain sound and stable liquidity buffers with liquid assets at 24% of total assets as of December 2017, the rating agency it expects the banks’ liquid assets to remain stable over the outlook period.

“The bulk of these liquid assets are held in Qatari government securities (rated Aa3, stable), which can be repo-ed with the central bank in times of market stress,” it added.

The economics of climate change

Two major events last week bear directly on global debates about climate change and how to address it. The fi rst was the release of a report from the United Nations Intergovernmental Panel on Climate Change (IPCC), which sets out precisely what must be done to achieve the objectives of the 2015 Paris climate agreement. The second was the announcement that Yale University economist William Nordhaus will share this year's Nobel Prize in economics for his work "integrating climate change into longrun macroeconomic analysis." The fi rst event should serve as a wakeup call for the international community. The IPCC report appeals to governments to take urgent action to reduce greenhouse-gas emissions signifi cantly within the next decade. It warns that if average global temperatures are allowed to exceed 1.5C – or, at worst, 2C – above pre-industrial levels, the consequences could be catastrophic, and they will be felt as soon as 2040. Worse, the report shows that the Nationally Determined Contributions set voluntarily by signatories to the Paris accord are vastly insuffi cient. Even if they are met, the increase in average global temperature will surpass 3C by 2100, and will continue to rise still further after that. Clearly, when policymakers revise their countries' NDCs, they must raise them signifi cantly.

But substantive action needs to come well before 2030. Otherwise, the world will suff er irreversible damage in the form of rising sea levels, loss of biodiversity, and deterioration of both land and marine ecosystems, including the potential extinction of the world’s coral reefs. These developments will have far-reaching implications for water supplies and the health and living standards of the global population. And, needless to say, the greater the warming, the more severe these eff ects will be.

The selection of Nordhaus for the Nobel Prize is a more welcome development. Even so, it is worth noting that his approach to addressing climate change tends to be rather conservative, which is to say gradualist. Nordhaus relies on traditional economic analysis, which “discounts” the present value of future consumption by the return on capital, or interest rates. In other words, $100 a half-century from now is worth $15, $10, or even less today, depending on the assumed interest rate. But, because the costs of any initiative to combat climate change must be borne in the present, they are necessarily higher at present values. The implication is that they must be incurred slowly. The problem with this approach is that it is inequitable toward future generations, which, of course, have no say in decisions that we make today. By defi nition, their welfare is being discounted. Yet were we to take intergenerational equity seriously, the leading factor to consider is that future generations will have better technologies than what we have today. Therefore, the appropriate social rate of discount should be equal to the rate of technological change, which is much lower than market interest rates. One could also argue that the traditional economic analysis is even inequitable toward individuals, in addition to future generations. Just ask an older person with an inadequate (or nonexistent) pension whether his present welfare is worth less than his past consumption. A much better approach has been developed by Nicholas Stern of the London School of Economics. In his nowfamous “Review on the Economics of Climate Change,” Stern was calling for accelerated action to combat climate change as early as 2006. In his view, the costs of dealing with runaway global warming would far exceed the expense of addressing it early. Another alternative has been developed by Martin Weitzman of Harvard University.

Weitzman relies on analytical tools similar to those used by Nordhaus, but his work also accounts for the catastrophic risks associated with climate change. As such, his approach is also similar to that of the IPCC and the UN Environment Programme (UNEP), both of which have concluded that global warming above a certain level will have truly disastrous eff ects. To my mind, the Nobel Committee should have recognised not just Nordhaus but also some of these other economists of climate change, particularly Stern. The fact is that humanity cannot aff ord to act gradually on this issue. The Stern Review, the latest IPCC report, and the UNEP have all concluded that current eff orts to reduce emissions must be stepped up substantially. That means accelerating the global transition to clean-energy technologies (including in transportation), improving the effi ciency of energy production/consumption, reversing deforestation, improving land use, and promoting technological innovation to facilitate all of these processes. The message from the IPCC report is clear. All countries must raise their emissions-reduction targets and strengthen their commitments under the Paris agreement. And the country that is historically responsible for the largest share of greenhouse-gas emissions – the United States – must return to the agreement and show leadership on this issue once again. – Project Syndicate O José Antonio Ocampo is a board member of Banco de la República, Colombia’s central bank, professor at Columbia University, and Chair of the UN Economic and Social Council’s Committee for Development Policy.

Pourquoi l’embargo saoudien contre le Qatar a fait un flop

Le petit émirat tient tête à Riyad depuis 17 mois, grâce à ses fabuleux revenus gaziers et à la souplesse des marchés internationaux de produits de consommation.

A en croire les Qataris, l’embargo imposé par leurs voisins a tellement de conséquences positives qu’on serait tenté de leur conseiller d’en susciter d’autres…

Un cas sans équivalent

Le minuscule mais richissime émirat (350.000 ressortissants, PIB par habitant de 128.000 dollars, record du monde) tient tête efficacement à cette Arabie Saoudite sur la sellette aujourd'hui suite à l'affaire Khashoggi. Le 6 juin 2017, Riyad avait imposé, avec Le Caire, Bahreïn et Abou-Dhabi, un embargo aérien, terrestre et naval total sur Doha, pour cause de divergences géostratégiques. Un cas d'une ampleur sans équivalent au monde depuis un demi-siècle. Au point que les Qataris parlent de blocus, terme toutefois inexact puisque l'armée saoudienne n'intercepte pas les avions et navires turcs, iraniens ou européens approvisionnant désormais l'émirat.

Ce sont ces navires et avions qui ont permis au Qatar, après quelques jours de sidération , de remplacer les produits acheminés jusque-là quasi exclusivement depuis Riyad, seul lien terrestre avec la péninsule, ou du port de Dubaï. A été instauré un pont aérien spectaculaire, qui a notamment acheminé 4.000 vaches laitières australiennes. « *Nous avons mis deux mois pour installer de nouveaux circuits commerciaux et logistiques en appliquant simplement des plans de précaution prévus pour d'autres crises* », explique le secrétaire d'Etat à l'Economie, Aziz Ahmed Aluthman.

Les produits de consommation viennent désormais directement du Maghreb, d'Europe, de Turquie, d'Iran ou d'Inde. Sans susciter d'inflation, insistent les Qataris, qui affirment avoir découvert à cette occasion que les grossistes saoudiens « *margeaient* » énormément. Les prix relevés dans un supermarché de Doha sont en tout cas du même niveau qu'en Europe.

Un prétexte pour les réformes

Le Qatar a pu compter sur son Port Hammad, devenu opérationnel juste avant l’embargo. Et a profité de la souplesse des grossistes internationaux. « *Les machines outils et matériaux de base sont facilement disponibles sur le marché mondial* », explique Philippe Tavernier, patron de la filiale locale de Vinci, « *et il existe deux cimenteries nationales* ». Doha s’est d’ailleurs mis à subventionner l a petite industrie locale et a cessé d’hésiter sur des réformes, afin d’attirer les investisseurs étrangers. Ceux-ci ne seront bientôt plus obligés d’être associés à 51 % avec un partenaire local.

L’émirat a profité aussi de ce que l’intégralité de ses exportations et les deux tiers de son PIB proviennent du gaz, incontournable source d’électricité. A tel point qu’Abou Dhabi a fait une exception à son embargo pour continuer d’importer son gaz de Doha… L’économie dispose aussi du moteur des chantiers d’infrastructures destinés à doter l’émirat de secteurs de santé et d’enseignement d’excellence, sans oublier les huit stades de la Coupe du monde 2022 et les tours des quartiers d’affaires. Qui semblent toutefois peu peuplées, au risque d’une bulle : « *C’est une politique économique de l’offre* », reconnaît pudiquement un homme d’affaires…

Retour à la normale

C’est sur le plan bancaire que l’embargo a fait tanguer l’émirat, avec des retraits de 20 milliards de dollars en une semaine, qui a obligé Doha à rapatrier le double de ses propres placements à l’étranger. Les agences de notation ont placé la note AA- de la dette qatarie en perspective négative mais ont rétabli la perspective stable récemment.

« *Nous sommes plus ouverts et connectés qu’avant* », ajoute Lolwah El Khater, la porte-parole du ministère des Affaires étrangères, qui cite la suspension de visas préalables pour les touristes de 88 pays. L’embargo laisse aux Qataris une impression de gâchis humain, puisque les pays voisins interdisent à leurs ressortissants de venir voir leurs proches dans l’émirat. « *La crise a déstabilisé le Conseil de coopération du Golfe persique*, ajoute Aziz Ahmed Aluthman, *pourtant indispensable dans une région à la culture politique sanguine* ».

Yves Bourdillon