The Global Economy’s Fundamental Weakness

Sep 13, 2018 RICHARD KOZUL-WRIGHT

Over the course of the past decade, the global economy has recovered from the 2008 financial crisis by riding a wave of debt and liquidity injections from the major central banks. Yet in the absence of steady wage growth and productive investments in the real economy, the only direction left to go is down.

GENEVA – When Lehman Brothers declared bankruptcy ten years ago, it suddenly became unclear who owed what to whom, who couldn’t pay their debts, and who would go down next. The result was that interbank credit markets froze, Wall Street panicked, and businesses went under, not just in the United States but around the world. With politicians struggling to respond to the crisis, economic pundits were left wondering whether the “Great Moderation” of low business-cycle volatility since the 1980s was turning into another Great Depression.

In hindsight, the complacency in the run-up to the crisis was clearly unconscionable. And yet little has changed in its

aftermath. To be sure, we are told that the financial system is simpler, safer, and fairer. But the banks that benefited from public money are now bigger than ever; opaque financial instruments are once again de rigueur; and bankers' bonus pools are overflowing. At the same time, un- or under-regulated "shadow banking" has grown into a $160 trillion business. That is twice the size of the global economy.
Thanks to the trillions of dollars of liquidity that major central banks have pumped in to the global economy over the past decade, asset markets have rebounded, company mergers have gone into overdrive, and stock buybacks have become a benchmark of managerial acumen. By contrast, the real economy has spluttered along through ephemeral bouts of optimism and intermittent talk of downside risks. And while policymakers tell themselves that high stock prices and exports will boost average incomes, the fact is that most of the gains have already been captured by those at the very top of the pyramid.

These trends point to an even larger danger: a loss of trust in the system. Adam Smith recognized long ago that perceptions of rigging will eventually undermine the legitimacy of any rules-based system. The sense that those who caused the crisis not only got away with it, but also profited from it has been a growing source of discontent since 2008, weakening public trust in the political institutions that bind citizens, communities, and countries together.

During the synchronized global upswing last year, many in the economic establishment spoke too soon when they began to forecast sunnier times. With the exception of the US, recent growth estimates have fallen short of previous projections, and some economies have even slowed. While China and India remain on track, the number of emerging economies under financial stress has increased. As the major central banks talk up monetary-policy normalization, the threats of capital flight and currency depreciation are keeping these countries' policymakers up at night.

The main problem is not just that growth is tepid, but that it is driven largely by debt. By early 2018, the volume of global debt had risen to nearly $250 trillion – three times higher than annual global output – from $142 trillion a decade earlier. Emerging markets' share of the global debt stock rose from 7% in 2007 to 26% in 2017, and credit to non-financial corporations in these countries increased from 56% of GDP in 2008 to 105% in 2017.

Moreover, the negative consequences of tightening monetary conditions in developed countries will likely become more severe, given the disconnect between asset bubbles and recoveries in the real economy. While stock markets are booming, wages have remained stuck. And despite the post-crisis debt expansion, the ratio of investment-to-GDP has been falling in the advanced economies and plateauing in most developing countries.

There is a very big "known unknown" hanging over this fragile state of affairs. US President Donald Trump's trade war will neither reduce America's trade deficit nor turn back the technological clock on China. What it will do is fuel global uncertainty if tit-for-tat responses escalate. Even worse, this is occurring just when confidence in the global economy is beginning to falter. For those countries that are already threatened by heightened financial instability, the collateral damage from a disruption to the global trading system would be significant and unavoidable.

Yet, contrary to conventional wisdom, this is not the beginning of the end of the postwar liberal order. After all, the unraveling of that order started long ago, with the rise of footloose capital, the abandonment of full employment as a policy goal, the delinking of wages from productivity, and the intertwining of corporate and political power. In this context, trade wars are best understood as a symptom of unhealthy hyper-globalization.

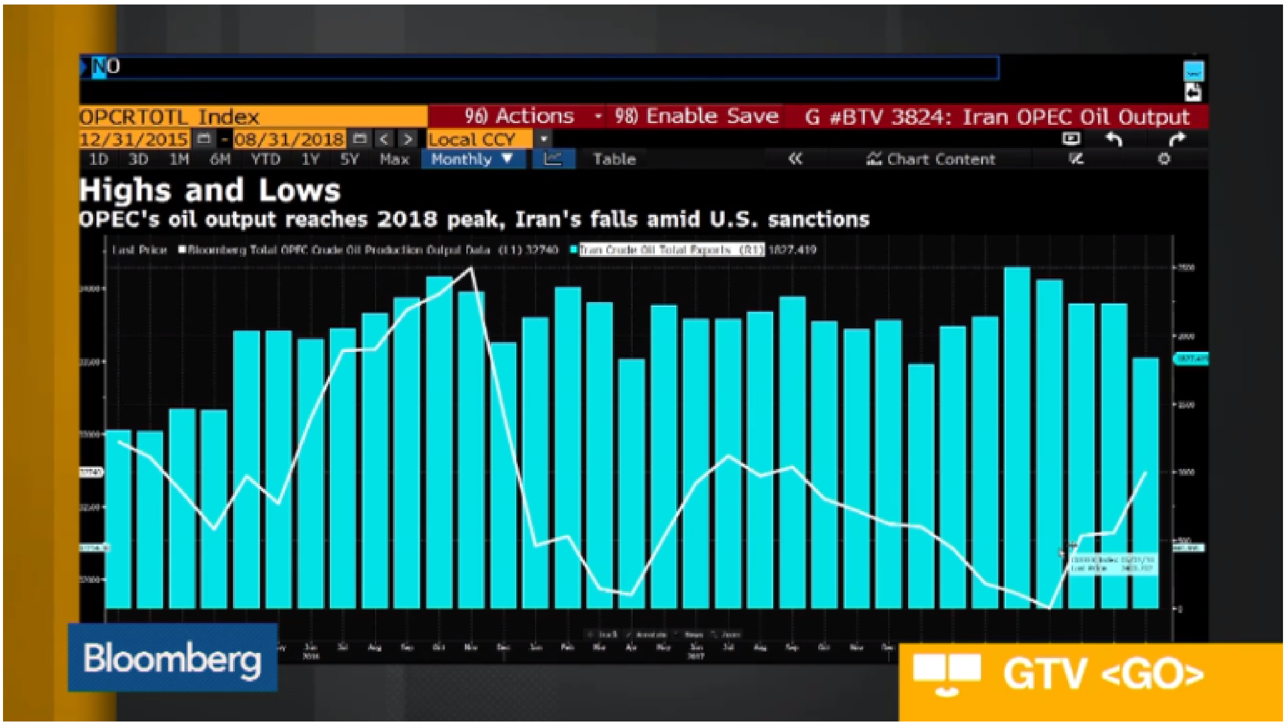
By the same token, emerging economies are not the problem. China’s determination to assert its right to economic development has been greeted with a sense of disquiet, if not outright hostility, in many Western capitals. But China has drawn from the same standard playbook that developed countries used when they climbed the economic ladder.

In fact, China’s success is exactly what was envisioned at the 1947 United Nations Conference on Trade and Employment in Havana, where the international community laid the groundwork for what would become the global trading system. The difference in discourse between then and now attests to how far the current multilateral order has moved from its original aims.

At first, the Lehman crisis did trigger a revival of the post-war multilateral spirit; but it proved fleeting. The tragedy of our times is that just when bolder cooperation is needed to address the inequities of hyper-globalization, the drums of “free trade” have drowned out the voices of those calling for a restoration of trust, fairness, and justice in the system. Without trust, there can be no cooperation.

RICHARD KOZUL-WRIGHT

IEA Warns of Higher Oil Prices as Iran, Venezuela Losses Deepen



The International Energy Agency warned that oil prices could break out above $80 a barrel unless other producers act to offset deepening supply losses in Iran and Venezuela.

Iranian crude exports have fallen significantly before U.S. sanctions even take effect, the IEA said in a monthly report. The Middle Eastern nation will face further pressure in coming months and the economic crisis in Venezuela is pushing output there to the lowest in decades. It's uncertain whether Saudi Arabia and other producers will fill any shortfall, or how far they're able to, the agency said.

"Things are tightening up," said the Paris-based IEA, which advises most major economies on energy policy. "If Venezuelan and Iranian exports do continue to fall, markets could tighten and oil prices could rise" unless there are offsetting production increases elsewhere, it said.

Oil climbed to a three-month high above $80 a barrel in London on Wednesday as fears of a supply crunch eclipsed concern about the risks to demand such as the U.S.-China trade dispute. While the Organization of Petroleum Exporting Countries and allies including Russia pledged to boost supply, the IEA said it remains to be seen how much will be delivered.

Saudi Arabia lifted output by 70,000 barrels a day to 10.42 million last month, but that remains “some distance from the 11 million barrels a day level that Saudi officials initially suggested was on the way,” the IEA said.While the agency warned that “there is a risk to the 2019 outlook” for demand from challenges in emerging markets such as currency depreciation and trade disputes, it kept forecasts for consumption unchanged.

In the meantime, supply risks dominate. Oil inventories in developed economies are already below-average and will decline further in the fourth quarter, the IEA predicted.

Venezuela, which is pumping at just half the rate it managed in early 2016, could see its output slump another 19 percent to 1 million barrels a day this year as infrastructure deteriorates and workers flee, the agency predicted.

Iranian production has already fallen to the lowest since July 2016, at 3.63 million barrels a day, as buyers retreat ahead of U.S. sanctions that come into force on Nov. 4.

Although Russia, Saudi Arabia and other Gulf members of OPEC promised to bolster production by about 1 million barrels a day, the IEA remained cautious on whether the full amount would be delivered. It’s unclear how quickly OPEC’s spare capacity, which stands at about 2.7 million barrels a day, can be activated, it said.

“We are entering a very crucial period for the oil market,” which could push prices out of the $70-to-$80 a barrel range seen in the past few months, the IEA said.

Russia ready to pump oil at record if market requires

A worker checks the valve of an oil pipe at field owned by Russian state-owned oil producer Bashneft near the village of Nikolo-Berezovka, northwest of Ufa, Bashkortostan, Russia (file). Russia has the capacity to set a new oil-production record, but won't decide whether the market needs those additional supplies before a meeting later this month with its Opec allies, according to Bloomberg. The country could boost output by as much as 300,000 bpd in the medium-term, which would beat the post-Soviet record set in October 2016, Russian Energy Minister Alexander Novak said on Wednesday. It's in everyone's interest to keep the oil market balanced, so Russia will discuss supplies with the Organisation of Petroleum Exporting Countries in Algiers on September 23, he said. "We have not yet taken any decisions on production growth, we've just spoken about the potential we have and the spare capacity," Novak said in an interview with Bloomberg in Vladivostok, Russia. "We will be discussing these decisions and steps we plan to take in Algeria." Russia is officially disclosing its spare crude-production capacity for the first time.

Banks tap $4.5bn gold reserves to shore up finances

Commercial lenders in Turkey have pulled as much as $4.5bn worth of gold reserves since mid-June in an eff ort to avert a liquidity crisis as the lira plunged. Weekly holdings reported by the Central Bank of Turkey fell by almost a fifth since June 15 to 15.5mn ounces with the lion's share – $3.3bn – of the exodus sparked by the monetary authority's August 13 move to lower reserve requirements. "The commercial banks were probably switching to more liquid assets, given what has happened to the lira," Jason Tuvey, a senior emerging markets economist at Capital Economics in London said by phone yesterday.

"There's been concern at the commercial banks over their external debt burden, which has been reflected in the rising bank bond yields." Turkish lenders are allowed to meet reserve requirements with bullion deposits, unlike in most other countries. Turkey is one of the 20 largest sovereign owners of the precious metal and boasts the fifth-biggest consumer demand in the world, according to 2017 data from the World Gold Council. It refines scrap gold into jewellery sold all over the Middle East. The central bank cut the reserve requirements for banks by 4 percentage points for foreign exchange liabilities over one, two and three years, and by 2.5 percentage points over other maturities. This equated to $3bn worth of dollar- equivalent gold liquidity, it said in a statement. Policymakers increased the one-week repo rate by 625 basis points on Thursday to 24%, more than economists expected. The hike helped to arrest an almost 40-percent swoon in the lira this year.

Of the $118bn in short-term debts due by September 2019, 15% accrues to publicly owned banks, and 44% to private financial institutions, according to Nora Neuteboom, an ABN Amro Group NV economist who specialises in Turkey. The banks borrow on international markets in hard currencies, hedging dollar liabilities with gold deposits rather than the volatile lira, even though their loan assets are denominated in lira. “But, of course, you can’t repay your debt in gold, so they’re probably selling to shore up finances for when their debt becomes due,” Neuteboom said.

‘Europe is pushing for global role of the euro’

Bloomberg Madrid

The European Union wants to bolster the global role of the euro as part of an effort to avoid being pushed around by President Donald Trump, whose foreign policy actions are increasingly at odds with its trans-Atlantic partner, Spanish Foreign Minister Josep Borrell said.

It’s the latest sign that European leaders are seeking to establish greater autonomy in the face of Trump’s efforts to remake the global order. Since winning the White House, the American president has questioned the importance of the North Atlantic Treaty Organisation, pulled out of a nuclear accord with Iran and said, in the midst of a trade war, that the EU was a “foe” of the US.

“We have to find a way to get around the American threats,” Borrell said in an interview at his offices in Madrid last week. “It’s another way to get around sanctions,” he said, referring to Trump’s May decision to leave the Iran nuclear deal, which the EU lobbied him to preserve.

The US decision forced European companies including Daimler AG and Total SA to pull out of Iran to avoid US sanctions. French Finance Minister Bruno Le Maire and German Foreign Minister Heiko Maas have both suggested that EU countries set up payment systems independent of the US to sidestep the new regulations.

But it’s not just Iran. US National Security Adviser John

Bolton last week threatened sanctions against the International Criminal Court, a UN-backed tribunal, which is considering prosecuting US servicemen over alleged abuses in Afghanistan.

By increasing the amount of international trade conducted in euros, the EU would make it easier for companies and individuals to do business beyond the reach of the US government.

Jean-Claude Juncker, president of the European Commission, on Wednesday said it is “absurd” for European companies to pay for European planes in dollars and questioned why 80% of the continent’s energy imports are paid for in the US currency.

In his annual State of the Union address to the European Parliament, Juncker promised to flesh out his ambitions with a plan by year-end.

The rift over sanctions for Iran comes with European leaders already unsettled by Trump’s assault on the global trading system. As it looks to reassure proponents of free trade, the EU is pursuing deals with countries including Japan, Australia, and the Mercosur nations of South America and is in the process of ratifying a deal with Canada.

“The Europeans are making a big effort to safeguard the multilateral approach to trade,” said Borrell, who was in Strasbourg to listen to Juncker. “Diplomacy is not the best quality of the Trump administration.”

Turkey to freeze new government projects, Erdogan says

ISTANBUL (Reuters) – Turkey is freezing new government investment projects, President Tayyip Erdogan said on Friday, to rein in spending and stem double-digit inflation after a 15-year construction boom fueled by debt.

His comments, a day after the central bank hiked interest rates by a mammoth 6.25 percentage points, mark the clearest signal yet that the government may suspend some of the big-ticket bridges, ports and railway projects that have typified Turkey's transformation under Erdogan.

But it remains to be seen if the move, like the central bank's greater-than-expected tightening, will be enough to mollify investors, who have helped send the lira TRYTOM=D3 down by 40 percent against the dollar this year.

Financial markets have long been concerned about Erdogan's control over monetary policy, which they say has undermined the central bank's ability to fight inflation, now at 18 percent. He has described himself as an "enemy of interest rates".

"We are not considering any fresh investments right now," Erdogan said in a speech on Friday. "There could be extraordinary and must-do investments, that’s another issue, but apart from this, we will start looking (at investments)”.

Projects that are more than 70 percent complete will be finished, he added, but “all our ministries will be reviewing the investment stocks they have and will conduct their work by prioritizing.”

In a decade and a half in power, Erdogan and his government have built bridges, power plants and hospitals and improved the lives of millions of lower-income, pious Turks. But some of his more ambitious mega-projects have drawn a backlash for their excessive cost and their impact on the environment.

Istanbul’s third airport is due to be one of the largest in the world when it opens in October.

Erdogan has also announced plans for a 45-kilometre (28 mile) canal that would turn the western side of Istanbul into an island and is estimated to cost around $16 billion.

The president did not say whether the canal would be among the projects frozen.

BIG HIKE

The lira TRYTOM=D3 was trading around 6.100 on Friday, a day after the central bank announced the biggest hike in its benchmark interest rate in more than a decade, to 24 percent.

Finance Minister Berat Albayrak, who will announce details of a medium-term economic plan next week, has promised cost-cutting measures and more efficient spending.

“Just a rate hike is not enough,” said Charles Robertson, Renaissance Capital’s global chief economist and head of macro-strategy, saying that Turkey needed to publish stress test parameters of banks and details of fiscal tightening, as well as secure external funding.

“The economy is entering recession, interest rates will be hurting, so the more they do to improve investor sentiment, the better.”

Erdogan also made clear on Friday his continued hostility to higher borrowing costs.

“Yesterday the central bank carried out the much talked about interest rate hike… Now we will see the result of (central bank) independence,” he said.

“Right now, personally, I am being patient, but my patience has its limits because we can’t accept a lever of exploitation.”

The slide in the lira in July and August, combined with rising fuel and energy costs, pushed up the prices of many goods, but Erdogan urged private sector companies to keep producing and said authorities would not tolerate stockpiling.

“Plenty of people who stockpile have emerged. Our interior ministry and finance ministry will be giving the necessary answer to these people… by carrying out raids,” he said.

Young Saudi pretender’s days are numbered

Hopes that Crown Prince Mohammed bin Salman would be a reformer who could heal the region have come to nothing

irst came the hype, with millions spread around like muck by western PR companies and lobbyists to trumpet Crown Prince Mohammed bin Salman’s world tour last March. He was the coming Saudi strongman, you will recall, all at the age of 32.

Six months on, the realities of his soaring ascent look more uncertain, with even his father, King Salman, beginning to show signs of doubt. Maybe the crown prince has as much substance as a firework?

The king’s brother, Prince Ahmed bin Abdulaziz, a former interior minister, was persuaded last week (in part by the Bahraini and Yemeni protesters outside his London home) to distance the Saud family from Salman and his ambitious heir. Though he has since downplayed his remarks, another exiled prince urged others to move against MBS, as Prince Mohammed is known.

The gap between the crown prince’s hype and reality has become glaring. Remember the high-tech city of Neom, which was to be conjured up on the Gulf of Aqaba? This $80 billion project and the reconfiguration of the Saudi economy set out in MBS’s “Vision 2030” depended on the flotation of 5 per cent of Saudi Aramco, the state-owned oil and gas company. The whole would be valued at $2 trillion and foreign investment would flood in for the entertainment, tech and tourism sectors.

King Salman seems to have cancelled the flotation. A New York float risked Saudi assets being seized because of an American class action against the kingdom for allegedly withholding information about the 9/11 attacks.

There was also criticism within Saudi Arabia of the decision to sell part of the “crown jewels” to foreigners, not least from princes who feared that it would shed light on their opaque perks and stipends. The economist and entrepreneur

Essam al-Zamil was arrested for merely tweeting sceptically about the flotation. As for foreign investment, after the detention and extortion of allegedly corrupt Saudi billionaires in Riyadh’s Ritz Carlton hotel $150 billion has flown out of the kingdom, and foreigners are not rushing to invest their own money.

MBS’s foreign policy initiatives have also damaged the kingdom. The war in neighbouring Yemen, now in its third year, is a quagmire of his own making. According to the Brookings Institution, a US think tank, it costs $5 billion to $6 billion a month to wage, with British and US connivance in the form of arms sales and diplomatic support. More than 10,000 Yemeni civilians have been killed, 8.5 million face starvation, and the Houthi rebels targeted by Riyadh are growing stronger, not weaker, thanks to support by regional Shias.

The Houthi continue to lob cheap missiles into Saudi Arabia. Each time a US-supplied Patriot missile intercepts them, it costs Riyadh $3 million. How long before a British-supplied and maintained fighter bomber hits a Yemeni bus, hospital or school? Jeremy Hunt, the foreign secretary, will have his mettle tested in a way that his chaotic predecessor never did.

The crown prince’s capricious isolation of Qatar for allegedly supporting terrorism has also failed. It has, however, wrecked the Gulf Cooperation Council in favour of a dodgy duopoly of Saudi Arabia and the United Arab Emirates. There is now desperate talk of excavating a 68-mile canal, costing $750 million, to cut Qatar off from the peninsula, leaving a toxic waste dump and a garrison on the Saudi side.

The Qatari economy has weathered the initial shock of the regional boycott, and Doha has diplomatic support from the likes of China, Iran and Russia, including a deal to supply Beijing with gas for 20 years. Even he Trump administration has thought better of its initial backing of the boycott, much to the embarrassment of Riyadh.

Not much survives either of MBS’s claims as a moderniser. Repression of the Saudi Shia in Eastern Province continues: the latest outrage is the seeking of the death penalty for Israa al-Ghomgham, the first female human rights activist to be beheaded if sentence is carried out.

Allowing women to drive was well advertised, but less publicised was the arrest of 13 women activists who want to abrogate other forms of sexual tutelage that effectively render them children under the law.

There is also repression of prominent Sunni clerics (including an imam and judge in Mecca itself) who have enormous social media followings in the kingdom and beyond. The cleric Salman al-Awda was among dozens detained last year by the new Presidency of State Security after MBS’s designation as crown prince.

The capital charges against al-Awda coincided with the trials of others for alleged association with the Muslim Brotherhood and their Qatari “patron”. Sundry charges include “mocking government achievements” and “offending patriotism and loyalty to the government and the country”. When Awda’s brother Khalid tweeted about the arrest, he too was detained, thanks to the new National Authority for Cyber Security.

MBS is not a reformer and nor is he a strongman since, with a stroke of a pen, his father can alter the succession and strip him of his power. That may happen soon, given the growing clamour from angry princes. Perhaps that is why MBS slept on a heavily guarded yacht moored off Jeddah all summer.

Michael Burleigh is author of The Best of Times, The Worst of Times: A History of Now

EU must grasp world role as U.S. retreats, Juncker says

STRASBOURG (Reuters) – The European Union must flex its muscles as a world power, EU chief executive Jean-Claude Juncker said on Wednesday, as he spoke critically of U.S. President Donald Trump’s retreat from international engagement.

In his annual State of the Union address to the European Parliament in Strasbourg, Juncker, who is entering his final year as president of the European Commission, urged EU states to bridge angry divisions over budgets, immigration and other issues in order to capitalize on a chance to shape the world.

“Whenever Europe speaks as one, we can impose our position on others,” Juncker said, arguing that a deal he struck in July with Trump to stall a transatlantic tariff war and which won plaudits for the Commission should have come as no surprise.

“The geopolitical situation makes this Europe’s hour: the time for European sovereignty has come,” he said.
Juncker made no direct comment on Trump or U.S. policy but aides said the geopolitical situation he spoke of was a U.S. retreat into what Juncker described elsewhere in the speech as “selfish unilateralism”. He also saw new opportunities to work with China, Japan and others to develop “multilateral” rules.

Some proposals to strengthen the EU’s effectiveness face an uphill battle against member state opposition, notably scrapping national vetoes in some foreign policy areas, such as where economic pressure from the likes of Russia or China on certain EU countries has blocked EU sanctions to defend human rights.

In repeating his support for deeper economic integration, he also pushed the idea that the euro should challenge the dollar as the world’s leading currency, calling it “absurd” that the EU pays for most of its energy in the U.S. currency despite buying it mainly from the likes of Russia and the Gulf states. He said airlines should also buy planes priced in euros not dollars.

Juncker renewed calls for states to push ahead in developing an EU defense capability independent of the U.S.-led NATO alliance and to embrace Africa through investment and a sweeping new free trade area – part of a strategy to curb the flow of poor African migrants which has set EU governments at each other’s throats and fueled a sharp rise in anti-EU nationalism.

EU DIVISIONS

Without naming Hungarian Prime Minister Viktor Orban, Juncker blasted EU leaders who sought to undermine democracy and the rule of law and rejected complaints from lawmakers that the Commission has been lenient toward Hungary, Poland and other eastern states.

Later on Wednesday, the European Parliament voted to sanction Hungary for flouting EU rules on democracy, civil rights and corruption in an unprecedented step that could lead to a suspension of Budapest’s EU voting rights.

At the same time, the Commission put forward a plan to get even tougher on illegal economic migrants whose arrival has so angered Orban and others.

However, the idea of a fully federal European Border and Coast Guard, with its own 10,000-strong uniformed force run from Brussels may hit national resistance.

With an eye on elections next May to the European Parliament, Juncker proposed new vigilance, and penalties, for attempts to manipulate voters. As the centenary nears of the end of World War One, he recalled how Europeans were taken totally by surprise by its outbreak and urged more respect for the EU as a force for peace against nationalistic “poison and deceit”.

He spoke of regret at Britain’s impending withdrawal from the bloc which will mark his five-year mandate and warned Prime Minister Theresa May that the EU would not compromise its single market to let London pick and choose which rules to obey.

But as negotiators struggle to overcome problems about the future of the land border on the island of Ireland, Juncker also pledged that Britain would remain a very close partner.
In the parliamentary debate which followed his hour-long address, Nigel Farage, of the UK Independence Party, accused him of failing to acknowledge the arrival of eurosceptics in government in Italy and a “populist revolt” across Europe that he said would resist Juncker’s aim to centralize more power.

Global warming’s paper trail

By Benjamin Franta Stanford

One day in 1961, an American economist named Daniel Ellsberg stumbled across a piece of paper with apocalyptic implications.

Ellsberg, who was advising the US government on its secret nuclear war plans, had discovered a document that contained an official estimate of the death toll in a pre-emptive “first strike” on China and the Soviet Union: approximately 300mn in those countries, and double that globally.

Ellsberg was troubled that such a plan existed; years later, he tried to leak the details of nuclear annihilation to the public.

Although this attempt failed, Ellsberg would later become famous for leaking what came to be known as the Pentagon Papers – the US government’s secret history of its military intervention in Vietnam.

America’s amoral military planning during the Cold War echoes the hubris exhibited by another cast of characters gambling with the fate of humanity.

Recently, secret documents have been unearthed detailing what the energy industry knew about the links between their products and global warming.

But, unlike the government’s nuclear plans, what the industry detailed was put into action.
In the 1980s, oil companies like Exxon and Shell carried out internal assessments of the carbon dioxide released by fossil fuels, and forecast the planetary consequences of these emissions.
In 1982, for example, Exxon predicted that by about 2090, CO_2 levels would double relative to the 1800s, and that this, according to the best science at the time, would push the planet’s average temperatures up by about 3°C.
Later that decade, in 1988, an internal report by Shell projected similar effects, but also found that CO_2 could double even earlier, by 2030.
Privately, these companies did not dispute the links between their products, global warming, and ecological calamity.
On the contrary, their research confirmed the connections.
Shell’s assessment foresaw a 60-70cm rise in sea level, and noted that warming could also fuel the disintegration of the West Antarctic Ice Sheet, resulting in a worldwide rise in sea level of “5 to 6m.” That would be enough to inundate entire low-lying countries.
Shell’s analysts also warned of the “disappearance of specific ecosystems or habitat destruction,” predicted an increase in “runoff, destructive floods, and inundation of low-lying farmland,” and said that “new sources of freshwater would be required” to compensate for changes in precipitation.
Global changes in air temperature would also “drastically change the way people live and work.” All told, Shell concluded, “the changes may be the greatest in recorded history.”
For its part, Exxon warned of “potentially catastrophic events that must be considered.” Like Shell’s experts, Exxon’s scientists predicted devastating sea level rise, and warned that the American Midwest and other parts of the world could become desert-like.
Looking on the bright side, the company expressed its confidence that “this problem is not as significant to mankind

as a nuclear holocaust or world famine."
The documents make for frightening reading.
And the effect is all the more chilling in view of the oil giants' refusal to warn the public about the damage that their own researchers predicted.
Shell's report, marked "confidential," was first disclosed by a Dutch news organisation earlier this year.
Exxon's study was not intended for external distribution, either; it was leaked in 2015.
Nor did these companies ever take responsibility for their products.
In Shell's study, the firm argued that the "main burden" of addressing climate change rests not with the energy industry, but with governments and consumers.
That argument might have made sense if oil executives, including those from Exxon and Shell, had not later lied about climate change and actively prevented governments from enacting clean-energy policies.
Although the details of global warming were foreign to most people in the 1980s, among the few who had a better idea than most were the companies contributing the most to it.
Despite scientific uncertainties, the bottom line was this: oil firms recognised that their products added CO_2 to the atmosphere, understood that this would lead to warming, and calculated the likely consequences.
And then they chose to accept those risks on our behalf, at our expense, and without our knowledge.
The catastrophic nuclear war plans that Ellsberg saw in the 1960s were a Sword of Damocles that fortunately never fell.
But the oil industry's secret climate change predictions are becoming reality, and not by accident.
As the world warms, the building blocks of our planet – its ice sheets, forests, and atmospheric and ocean currents – are being altered beyond repair.
Who has the right to foresee such damage and then choose to fulfil the prophecy? Although war planners and fossil fuel companies had the arrogance to decide what level of

devastation was appropriate for humanity, only Big Oil had the temerity to follow through.
That, of course, is one time too many. – Project Syndicate

* *Benjamin Franta, a former research fellow at the Belfer Centre for Science and International Affairs at the Harvard Kennedy School of Government, is a doctoral candidate at Stanford University, where his research focuses on climate politics and the manipulation* of science.

Global oil demand may reach 98.83mn bpd in 2018: Opec

The total global oil demand is anticipated to reach 98.83mn bpd in 2018; Opec's latest monthly bulletin has shown.

For 2019, Opec forecasts world oil demand to grow by 1.43mn bpd, but some 20,000 bpd lower than the Vienna-based organisation's July assessment.

This, it said, was mainly due to weaker-than-expected oil demand data from Latin America and the Middle East in the second quarter of this year.
Total world consumption is anticipated to reach 100.26mn bpd next year.
The OECD (Organisation for Economic Co-operation and Development) region will contribute positively to oil demand growth, rising by 0.27mn bpd year-on-year, yet with growth of 1.16mn bpd, non-OECD nations will account for the majority of growth expected.
The demand for crude from 15 members of the Organisation of the Petroleum Exporting Countries has been revised down by 0.1mn bpd in August compared to the previous month to stand at around 32.9mn bpd, the Vienna-based organisation said in its latest monthly market report.
The 2018 crude demand is 0.6mn bpd, lower than a year earlier, Opec said.
Compared with the last monthly oil market report, the first quarter remained unchanged. The second and the third quarters were revised down by 0.2mn bpd each and the fourth quarter was revised down by 0.1mn bpd.
Compared with 2017, the first quarter was 0.1mn bpd higher than the same quarter last year, while the second and fourth quarters are expected to fall by 0.7mn bpd each.
The third quarter is also projected to fall by 0.1mn bpd, Opec said.
According to secondary sources, Opec crude production averaged 32.4mn bpd in the first quarter of 2018, which is 0.1mn bpd higher than the demand for Opec crude.
In the second quarter of 2018, the Opec-15 crude production stood at 32.2mn bpd, which is 0.2mn bpd lower than the demand for Opec crude.
According to the report, the demand for Opec-15 crude for 2019 was revised down by 0.1mn bpd from the previous report to stand at around 32mn bpd, 0.8mn bpd lower than the 2018 level.
Compared to the last monthly report, the first quarter was revised down by 0.1mn bpd and the second and third quarters

were revised down by 0.2mn bpd each, Opec said.
The fourth quarter remained unchanged. Compared to the same quarter in 2018, the first and second quarters are forecast to fall by 0.6mn bpd and 0.4mn bpd, respectively.
The third and fourth quarters are expected to fall by 0.9mn bpd and 1.3mn bpd respectively, it said.