Name: ………………………………………………………..

Year 12 A Level Geography Paper 2 Unit 1 – Globalisation

EQ1 – Causes and acceleration of Globalisation

Readings

Article 1

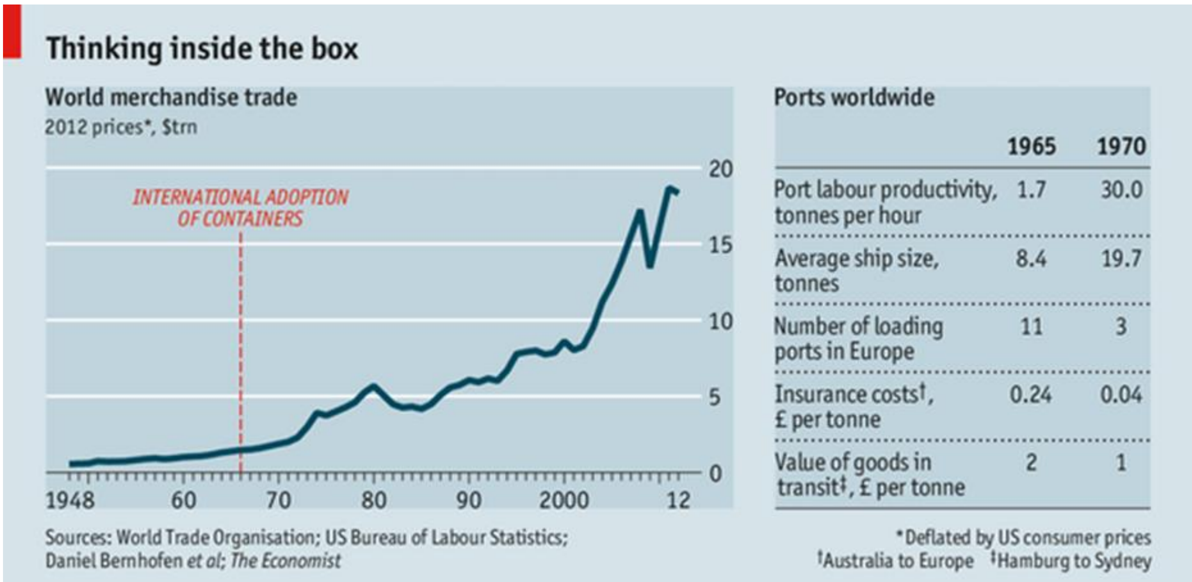
The humble hero

Containers have been more important for globalisation than freer trade

May 18th, 2013 The Economist

THE humble shipping container is a powerful antidote to economic pessimism and fears of slowing innovation. Although only a simple metal box, it has transformed global trade. In fact, new research suggests that the container has been more of a driver of globalisation than all trade agreements in the past 50 years taken together.

Containerisation is a testament to the power of process innovation. In the 1950s the world's ports still did business much as they had for centuries. When ships moored, hordes of longshoremen unloaded "break bulk" cargo crammed into the hold. They then squeezed outbound cargo in as efficiently as possible in a game of maritime Tetris. The process was expensive and slow; most ships spent much more time tied up than plying the seas. And theft was rampant: a dock worker was said to earn "$20 a day and all the Scotch you could carry home."



	1965	1970
Port labour productivity, tonnes per hour	1.7	30.0
Average ship size, tonnes	8.4	19.7
Number of loading ports in Europe	11	3
Insurance costs†, £ per tonne	0.24	0.04
Value of goods in transit‡, £ per tonne	2	1

Containerisation changed everything. It was the brainchild of Malcom McLean, an American trucking magnate. He reckoned that big savings could be had by packing goods in uniform containers that could easily be moved between lorry and ship. When he tallied the costs from the inaugural journey of his first prototype container ship in 1956, he found that they came in at just $0.16 per tonne to load—compared with $5.83 per tonne for loose cargo on a standard ship. Containerisation quickly conquered the world: between 1966 and 1983 the share of countries with container ports rose from about 1% to nearly 90%, coinciding with a take-off in global trade (see chart).

The container's transformative power seems obvious, but it is "impossible to quantify", in the words of Marc Levinson, author of a history of "the box" (and a former journalist at The Economist). Indeed, containerisation could merely have been a response to tumbling tariffs. It coincided with radical reductions in global trade barriers, the result of European integration and the work of the General Agreement on Tariffs and Trade (GATT), the predecessor of the World Trade Organisation (WTO).

Yet a new paper aims to separate one effect from the other. Zouheir El-Sahli, of Lund University, and Daniel Bernhofen and Richard Kneller, of the University of Nottingham, looked at 157 countries from 1962 to 1990. They created a set of variables which "switch on" when a country or pair of trading partners starts using containers via ship or rail (landlocked economies, such as Austria, often joined the container age by moving containers via rail to ports in neighbouring countries, such as Hamburg in Germany). The researchers then estimated the effect of these variables on trade.

The results are striking. In a set of 22 industrialised countries containerisation explains a 320% rise in bilateral trade over the first five years after adoption and 790% over 20 years. By comparison, a bilateral free-trade agreement raises trade by 45% over 20 years and GATT membership adds 285%.

To tackle the sticky question of what is causing what, the authors check whether their variables can predict trade flows in years before container shipping is actually adopted. (If the fact that a country eventually adopts containers predicts growth in its trade in years before that adoption actually occurred, that would be evidence that the "container" jump in trade was actually down to some other pre-existing trend.) But they do not, the authors say, providing strong evidence that containerisation caused the estimated surge in trade.

What explains the outsize effect of containers? Reduced costs alone cannot. Though containers brought some early savings, shipping rates did not drop very much after their introduction. In a 2007 paper David Hummels, an economist at Purdue University, found that ocean-shipping charges varied little from 1952 to 1970—and then rose with the cost of oil.

Put them in a container

More important than costs are knock-on effects on efficiency. In 1965 dock labour could move only 1.7 tonnes per hour onto a cargo ship; five years later a container crew could load 30 tonnes per hour (see table). This allowed freight lines to use bigger ships and still slash the time spent in port. The journey time from door to door fell by half and became more consistent. The container also upended a rigid labour force. Falling labour demand reduced dockworkers' bargaining power and cut the number of strikes. And because containers could be packed and sealed at the factory, losses to theft (and insurance rates) plummeted.

Over time all this reshaped global trade. Ports became bigger and their number smaller. More types of goods could be traded economically. Speed and reliability of shipping enabled just-in-time production, which in turn allowed firms to grow leaner and more responsive to markets as even distant suppliers could now provide wares quickly and on schedule. International supply chains also grew more intricate and inclusive. This helped accelerate industrialisation in emerging economies such as China, according to Richard Baldwin, an economist at the Graduate Institute of Geneva. Trade links enabled developing economies simply to join existing supply chains rather than build an entire industry from the ground up. But for those connections, the Chinese miracle might have been much less miraculous.

Not only has the container been more important than past trade negotiations—its lessons ought also to focus minds at future talks. When governments meet at the WTO's December conference in Bali they should make a special effort in what is called "trade facilitation"—efforts to boost efficiency at customs through regulatory harmonisation and better infrastructure. By some estimates, a 50% improvement in these areas could mean benefits as big as the elimination of all remaining tariffs. This would not be a glamorous outcome, but the big ones seldom are.

Article 2

The Economist explains

Why have containers boosted trade so much? May 21st, 2013, 23:50 by E.H.

AT FIRST glance they may just appear to be humble metal boxes. But containers—uniform boxes that can be easily moved between lorry, train, and ship—have reshaped global trade over the past few decades. Why have containers boosted trade so much?

Uniform metal containers were invented by Malcom McLean, an American trucking magnate, in 1956. Before then goods were shipped as they had been for centuries. Crammed in to the hold of a ship, loose cargo in wooden crates would be loaded and unloaded by vast crews of dockworkers. The process was unwieldy, unreliable, and so slow that ships often spent longer docked than they did at sea. Theft of transported goods was rampant: as an old joke put it, dock workers used to earn "$20 a day and all the Scotch you could carry home."

Containers changed this in several ways. The price of everything fell, starting with the cost of loading and unloading. When Mr McLean looked at the costs of his first container ship, he found that it cost $0.16 per tonne to load compared with $5.83 per tonne for loose cargo. Between 1965 and 1970 the amount of money locked up per tonne of inventory in transit between Hamburg to Sydney fell by half. Because containers were packed and sealed at the factory, losses to theft plummeted, which in turn drastically reduced insurance costs. More could also be loaded: in 1965 dock labour could move only 1.7 tonnes per hour onto a cargo ship; five years later they could load 30 tonnes in an hour. As a consequence, ships could get bigger and more efficient while still spending less time in port. As containers made inland distribution by train and lorry easier, ports became bigger and fewer in number. (In 1965 there were 11 loading ports in Europe; by 1970 there were three.) This, along with increased productivity, meant fewer dockworkers were needed, undermining their bargaining power, and reducing the number of strikes.

For many years it was thought to be impossible to quantify the value of containerisation, because the advent of the metal box coincided with a global reduction in trade barriers as a result of European integration and the work of the General Agreement on Tariffs and Trade (GATT), the predecessor of the World Trade Organisation (WTO). But a paper published in February cleverly disentangles the impact of trade deals from that of containers. Looking at 22 industrialised countries, it finds that containerisation is associated with a 320% increase in bilateral trade over the first five years and 790% over 20 years. A bilateral free-trade agreement, by contrast, boosts trade by 45% over 20 years, and membership of GATT raises it by 285%. In other words, containers have boosted globalisation more than all trade agreements in the past 50 years put together. Not bad for a simple box.

Article 3

Africa

The Tech Continent: Africa's digital renaissance

Can the internet reboot Africa?

With smartphone use and web penetration soaring, Africa is set for a tech revolution – but only if its infrastructure can support it

Mark Rice-Oxley in Kigali and Zoe Flood in Nairobi

Monday 25 July 2016 1

You can buy sunlight with your phone, conduct an eye test on someone 100 miles away and attend a church service on your iPad. There are apps for investing in cows, for sending parcels and for mapping unrest. And soon you'll be able to deliver blood and medicines by drone.

There's free Facebook, mobile banking, and the promise of cashless societies and digitised land records. And from Accra in the west to Kigali in the east, a spray of "tech hubs" talk about "leapfrogging" technology and incubating start-ups.

Such are the giddy promises of Africa's "fourth industrial revolution" – a giant step forward into the digital world which the Guardian is reporting on for the next two weeks. Some are salivating that it will amount to the renaissance of a marginalised continent, while others soberly warn of the hype.

By 2020 there will be more than 700m smartphone connections in Africa – more than twice the projected number in North America and not far from the total in Europe, according to GSMA, an association of mobile phone operators. In Nigeria alone 16 smartphones are sold every minute, while mobile data traffic across Africa is set to increase 15-fold by 2020.

Twenty per cent of the continent already have access to a mobile broadband connection, a figure predicted to triple in the next five years. The mobile industry will account for 8% of GDP by 2020 – double what it will be in the rest of the world. And internet penetration is rising faster than anywhere else as costs of data and devices fall.

Sparks of inspiration

Millions in Africa have simply bypassed traditional infrastructure stages such as landlines and branch banking, skipping straight to cellular telephony and mobile money. The potential for further great leaps forward in business, medicine, education, and public administration is high.

Article 4

Africa's top 10 tech pioneers: 'We have become an internet-consuming culture'

In other respects, however, it is clear that whole segments of the population are struggling to embrace the fourth industrial revolution, with many yet to see the benefits of the first three. Only about a third of people in sub-Saharan Africa have access to grid electricity, for example.

“If you can’t have electricity you can’t drive any industrial development,” says Akinwumi Adesina, president of the African Development Bank. “Electricity drives everything, so until we fix that problem Africa faces huge challenges.” He told the Guardian that the bank is trying to leverage $150bn dollars over the next 10 years to connect another 130 million people.

“It’s the most critical issue holding back Africa’s development.”

But with a young population that is increasingly technology-aware, enthusiasm burns brightly even if the lights don’t always.

“The phone has gone beyond being a luxury item,” says Bob Collymore, chief executive of mobile operator Safaricom, east Africa’s largest company. “In the UK if you forget your phone, you can always use a card, but here it’s an essential tool for generating income, finding jobs.”

How did it happen?

Africa’s great leap forward sprang from prosaic beginnings. Half a dozen deep sea cables were draped along the continent’s eastern and western seaboards at the turn of the decade.

These high-bandwidth undersea conduits hit landing points in almost every country they passed, and those states then acted as corridors to landlocked nations behind them. Improved fixed and wireless connectivity quickly followed, with telecommunications providers in many countries upgrading from 2G technologies to 3G, and now in some urban centres to 4G.

“For almost 40 years, Africa had wanted to link to the rest of the world,” says Dr Bitange Ndemo, former permanent secretary for information and communication in Kenya. “It kept on failing until 2009, when we first got the undersea cables which lowered the cost of broadband.”

Internet penetration in Africa jumped from very low levels in 2009 to 16% of individuals in 2013 and over 20% in 2015. But the proportion of people online is still far behind the global average – 17.4% of individuals have access to mobile broadband, while fixed broadband connections remain very low. Countries will have to keep up with rising demand for bandwidth in order to drive innovation and enable the shift to digital across all sectors.

Bringing broadband to east Africa: workers haul part of a fibre optic cable to the shore at the Kenyan port town of Mombasa on 12 June 2009. Photograph: AFP/Getty Images

Major infrastructure expansions are under way – from upgrading and installing submarine cables and backbone networks to various experiments to get rural and peri-urban Africa online. The world’s major technology companies – including Microsoft, Google, and

Facebook – are deeply interested in last-mile connectivity across the continent, with its billion-plus population.

"I don't see us having problems with capacity from the undersea cables on both sides of the continent for the next five years. It's capacity inland that is of concern to me," says Mteto Nyati, chief executive of MTN South Africa, the country's second largest telecoms company by market share.

"If we're talking high-speed, we need to be going LTE [long-term evolution] and in the future 5G – the digital migration to free up other frequencies needs to happen in Africa, otherwise we'll have bottlenecks.

"We need partnerships between governments and mobile operators to help them with this migration if they can let the resources become available."

Just as mobile telephony has had a massive impact on economies in Africa, the hope is that the internet will also have a transformative impact.

In 2013, McKinsey estimated that the internet's contribution to Africa's GDP was 1.1%, just over half the levels seen in other emerging markets. But the same report – taking into account the magnified impact of mobile in emerging economies – projects that the internet could potentially contribute 10% of GDP – $300bn – to the African economy by 2025.

Digitisation efforts include bringing businesses of all sizes online, bringing government and its services online, public-private partnerships, and the development of enterprises that are pure internet players.

"Those who are already online – whether in healthcare or agriculture, in services, in e-commerce – they have a faster uptake around technology adoption," says Amrote Abdella, regional director of Microsoft4 Afrika, an initiative founded to help bring SMEs online.

"What is still missing, and this is what we are trying to understand, your average mom and pop shop that is completely invisible and is working and functioning in the informal market," she adds. "How do we bring them to get online and how do we formally create the channel that allows them to access finance, to bring their business online, to access new markets?"

International investment

By 2012, investors, some of them overseas, were starting to take an interest in this economic potential. People like Mbwana Alliy, a Tanzanian who was working in Silicon Valley. He raised a small fund in 2012 to look at promising tech companies. And the spread of investment says something about where the promise lies.

Of 22 companies that Alliy's Savannah Fund invested in, 10 are in Kenya, four in Nigeria, three in South Africa, two in Ghana, two in Uganda and one in Zimbabwe.

"Nigeria wins on market size," he says over a beer in a restaurant in the Rwandan capital Kigali. "It's massive, it's a great place to work with consumer products – Nigerians are culturally wired to consumer more than others.

"South Africa has the best infrastructure and education, while in Kenya mobile money is a big deal, and it has good policies for tech," he adds.

Some investors pinpoint financial services as an attractive, albeit risky, area, following on from the way that technology like M-Pesa mobile money has opened up banking to millions of people who could never have hoped to own bank accounts in the past. According to GSMA, there are 223m registered mobile money accounts in sub-Saharan Africa. More than $5bn moved through mobile accounts in December 2015 alone.

E-commerce is another story showing promise, particularly in large markets such as Nigeria, where Jumia Group has just been valued at over $1bn, making it Africa's first tech "unicorn". The group, which encompasses multiple digital ventures from shopping to classifieds to taxi apps, operates not only in the continent's most populous market but in 22 others as well.

"The entrepreneurs behind Africa's digital economy are trying to build for the future – and it's hard, brutally hard," says Jason Njoku, chief executive of Nigeria's iROKOtv, which has raised over $35m from international venture capitalists. "Most are chasing international investment, because the vast majority of African investors largely ignore tech and prefer to fund agriculture, oil, gas and other more traditional sectors.

"So, what now? We need to get our own, homegrown investors on board, to understand the opportunities that are right under our noses."

"It's a tricky market – there is political risk, it's a very young sector," adds Manuel Koser, founding partner of Silvertree Capital, which invests in tech companies in emerging markets. "A lot of investors are still unsure if this is a good asset class."

Rwanda looks ahead

If Kenya, South Africa, and Nigeria are the big three in the sub-Saharan tech world, then Rwanda is styling itself as something of a poster child for digital: small, nimble, open for business.

"Rwanda, where ICT is the future," an airport billboard declared recently. A cynic, regarding an agrarian economy where some people still don't have running water, might say, "Yes, indeed, because it certainly isn't the present".

But that would be unkind. As technology minister Jean Philbert Nsengimana explains, Rwanda has spent 15 years digitising its economy, its healthcare and education. And now it has eyes on becoming Africa's first cashless society – at least where the public sector is concerned.

"There is a limit to how much a government can engineer a cashless society," he says, "but government itself will be cashless by the end of next year."

Innovation is often more bottom-up than top-down, though.

"What's interesting now among African start-ups is that they're less about something really innovative in a specific app itself, but rather they are thinking about innovative ways to solve real problems in the market," says Ory Okolloh, a well-known technology commentator.

Or they are trying to solve a social problem. For example, Africa has barely one doctor per 1,000 people – low by international comparisons – and its vast geography makes home visits a poor use of time. One initiative set up by a British ophthalmologist, Andrew

Bastawrous, trains local people to use diagnostics on smartphones to conduct eye tests. Clinical data is collated for experts to assess who needs treatment.

A number of start-ups, including one by young women called Sigestes in Senegal, are engaged in digitising land records, which may sound banal until you realise that not knowing who owns what is a recipe for tax evasion, corruption and even violence.

Then there is Cameroonian Churchill Nanje who set up a pan-African jobs search site from his bedroom and has served more than 2 million users in 11 countries since.

Obstacles to progress

But there are buts. Many of them. Parts of Lagos still run on generators for 18 out of 24 hours. Even in tiny, top-down Rwanda, just 25% of households are connected to the grid. Sneha Shah, Thomson Reuters managing director for Africa, says: “It’s not just that they don’t have the ability to generate power; they don’t have the ability to distribute the power.”

And infrastructure problems don’t stop there. Poor roads and the absence of formal address systems make logistics arduous and costly for online retailers. Connectivity in the hinterland can be non-existent and connecting the very last mile out in the wilds does not always make economic sense.

“There are access issues in rural parts,” says Ndemo. “These are places where the cost of deployment may not be recovered in a short space of time and so those places get marginalised. In Kenya, we had introduced an infrastructure-sharing policy in such places – there would be one mast and other networks could use it.”

Then there is the affordability issue. When the cost of the average smartphone fell below $100 last year, it was hailed as a breakthrough moment. But that doesn’t take into account the cost of data.

“Young people are very conscious of how apps on their phones are using data,” says Mnikelo Qubu, head of digital at Kenya’s Well Told Story, which produces a popular multi-platform storytelling project targeted at young people. “They’ll go online, download messages and then go offline again. I still consider SMS as very necessary in terms of on-the-ground reach.”

There are shortcomings both of local education and local content. Millions would be far more engaged in the internet if there was more material in their local language. That’s a tall order given the 2,500 languages and dialects spoken across the continent. And as pointed out by Josiah Mugambi, executive director of Nairobi’s iHub, training consumers in how to use technology is also essential. “In some parts of Kenya, there are people who will struggle to use a smartphone, at least at first,” he says.

“You need to address all of these levers to address internet penetration,” says Hans Kuipers, a Johannesburg-based partner at Boston Consulting Group.

Worse still, local talent is still relatively thin on the ground, at least compared with western levels. For every African whizz-kid with an app and seed funding to match, there are millions who don’t have the basic practical education to make the most of the internet revolution.

“We are sitting in a good space, but we may not have the necessary skills to move beyond the space we’re in,” says MTN’s Nyati. “The good thing is that we are a young continent – these are people who are open to learning and they are familiar with technology.

“They have great ideas but are lacking the infrastructure to do software development, for example. We need to transform our education system into one that is more practical than what we have today.”

Another concern is that Africa’s tech economy will become dominated by non-local players. Already dominant western operators such as Uber, Netflix and even Amazon are poised to exploit opportunities that local competitors cannot.

The many dimensions of Africa's digital divide

Facebook has already rolled out its Free Basic offering of giveaway data packages in more than 20 countries, prompting howls from net neutrality advocates.

“Facebook is not the internet, and limiting it doesn’t give people the agency, political power or control,” says Timothy Karr from the Save the Internet campaign.

A related trend in recent years – which also demonstrates the power of the internet and mobile connectivity – has been the shutting down of networks, or certain sites, during elections or moments of crisis. Well documented during the Arab spring, shutdowns have taken place already this year in Uganda, Chad, Republic of Congo, and Ghana, often seen as a democratic role model in Africa.

“For Ghana to suggest that they will turn off the internet, in addition to other countries that have done it like Uganda, Zimbabwe, DRC, Burundi, Chad and others, that’s worrying,” says Okolloh, who co-founded Ushahidi, a crowd-sourced crisis-mapping tool that first tracked the violence that followed Kenya’s 2007 election.

“Now, when it comes to critical moments, you can’t arrest everyone in order to keep the story from getting out – so governments figure they will just shut the internet down. The telcos just shrug their shoulders. Many are powerful enough to do so, but I’ve not seen an attempt to put up a fight.”

Additional reporting by Murithi Mutiga in Nairobi and Maeve Shearlaw

Article 5

Bretton Woods

The International Monetary Fund and the World Bank (both are United Nations agencies) were brought into being at a conference designed to plan a new economic structure for the post-war period held at Bretton Woods, New Hampshire in 1944. The initial role of the World Bank was to assist in the funding of reconstruction in the countries decimated by war, while the IMF would ensure that the process would take place in a stable economic climate.

A country running short of foreign currency reserves that it needed to maintain its currency exchange rate could turn to the IMF for help. IMF funds come from the contributions or 'quotas' of its member countries. Voting power on the IMF is in proportion to the size of a country's quota, with the USA holding 17% of the total votes. As any major change to IMF policy requires 85% backing the USA is able to block by itself any proposed change it might not like.

Countries usually apply for funding from the IMF when they are unable to obtain funding from other sources. IMF money is designed to prevent the disruption to the international financial system that would occur through a country failing to meet its commitments to other nations. Along with funding the IMF is also able to renegotiate the terms of debt on behalf of nations in financial difficulties. To prevent the situation reoccurring the IMF will usually impose conditions, in the form of a 'stabilisation programme', on its financial assistance. The objective is 'structural adjustment', changing the fundamental conditions of the economy to make it more competitive and less likely to return to crisis. It is the nature of these conditions that has caused so much controversy about the way in which the IMF operates.

The International Bank for Reconstruction and Development, commonly known as the World Bank, borrows between $20 billion and $30 billion a year in a variety of currencies. This money has provided financing for more than 4000 development projects in 130 countries, through $300 billion in lending. When the reconstruction of Europe was complete the World Bank increasingly turned its attention to developing countries. While the IMF focuses primarily on the international financial transactions of a country, the World Bank deals mainly with internal investment projects. For most recipient countries lending is at market rates of interest. However, in 1960 a branch of the World Bank known as the International Development Association (IDA) was formed. The IDA lends only to nations with a very low per capita income. For such country's loans are interest free and allow long repayment periods.

The World Bank has many critics. The US-based Heritage Foundation examined economic growth rates in the 85 countries that received World Bank International Development Association (IDA) loans in the 1980s and 1990's, and found that:

- Rather than helping the recipient countries, the loans pushed many into further debt, with new loans often being used to pay off old ones, the classic Vicious circle.

- Recipient countries were more likely to experience a drop in per capita wealth than to achieve significant economic growth.

In spite of adverse publicity such as this the AAA-rated (the highest credit rating available) World Bank is highly sought after by global investors who buy bonds and in doing so provide the funds that the Bank distributes to development projects. However, the World Bank Bonds Boycott campaign is trying to deter investors from continuing their support of the World Bank, arguing that the conditions attached to World Bank loans have:

- crippled economic growth in recipient countries hindered development
- promoted dependency
- increased poverty.

Critics argue that the rich nations use the World Bank to run other countries for the benefit of their merchant banks. Many countries and organisations are calling for the reform of the World Bank and the IMF. Others go further and argue for the abolition of these agencies and a complete restructuring of the world financial system.

The most important recent development has been the creation of the World Trade Organisation (WTO) in 1995. Unlike its predecessor, the loosely organised GATT, the WTO was set up as a permanent organisation with far greater powers to arbitrate trade disputes. Figure 16 shows the benefits of the global trading system according to the WTO.

Although agreements have been difficult to broker at times, the overall success of the GATT/WTO is undeniable: today average tariffs are only one-tenth of what they were when GATT came into force and world trade has been increasing at a much faster rate than GDP. However, in some area's protectionism is still alive and well, particularly in clothing, textiles, and agriculture. In principle, every nation has an equal vote in the WTQ, in practice, the rich world shuts the poor world out in key negotiations. In recent years' agreements have become more and more difficult to reach, with some economists forecasting the stagnation or even the break-up of the WTO.

Relations between the USA and the EU have recently been soured by the so-called 'banana war', and by disagreements over hormone treated beef, GM foods and steel. Leading agricultural exporters such as the USA, Australia and Argentina want a considerable reduction in barriers to trade for agricultural products. Although the EU is committed in principle to reducing agricultural support, it wants to move slowly arguing that farming merits special treatment because it is a 'multifunctional activity' that fulfils important social and environmental roles. Many developing countries have criticised the WTO for being too heavily influenced by the interests of the USA and the EU.

The WTO exists to promote free trade. Most countries in the world are members and most who are not want to join. The fundamental issue is does free trade benefit all those concerned. Some people argue that the 'trickle down to the poor hasn't happened. In the past 20 years, the developing countries share of world trade has halved, income per person has fallen in 59 countries, and the number of people living on less than $1 a day has risen dramatically'. The nongovernmental organisation Oxfam is a major critic of the way the present trading system Operates.

However, others would view the data available in a different way. Over the 1985-2000 period global inequality as measured by the Gini coefficient seems to have declined significantly. The main reason for this has been the rise in living standards in China and India. But what about the poor countries of Africa and elsewhere in the world? Supporters of the WTO say that it is scarcely credible to argue that the poverty of these countries is the result of globalisation since they are all outside the mainstream of free trade and economic globalisation. Critics of the WTO, on the other hand, say that the WTO and other international organisations should be paying more attention to the needs of these countries, making it easier for them to become more involved in, and gain tangible benefits from, the global economic system.

Critics of the WTO ask why it is that MEDCs have been given decades to adjust their economies to imports of textiles and agricultural products from LEDCs when the latter are pressurised to open their borders immediately to MEDCs banks, telecommunications companies and other components of the service sector. The removal of tariffs can have a significant impact on a nation's domestic industries. For example, India has been very concerned about the impact of opening its markets to foreign imports. Opposition to the WTO comes from a number of sources:

- Many LEDCS who feel that their concerns are largely ignored.
- Environmental groups concerned, for example, about a WTO ruling that failed to protect dolphins from tuna nets.
- Labour unions in some developed countries, notably the USA, are concerned about the threat to member's jobs as manufacturing jobs suffer global shift and move eastwards and how there are violations of workers' rights in developing countries.

Article 6

Tanzania ditches private water supplier

By Jon Cronin

BBC News business reporter

Tanzania has pulled the plug on a British and German-run company supplying water to the country's commercial capital, Dar es Salaam.

Private utility City Water has been stripped of its 10-year contract to supply services in the country's biggest city.

Dar es Salaam's three million residents have increasingly had to cope with erratic supplies and water shortages, which have hit homes and businesses.

The government said a new company, known as Dar es Salaam Water and Sewerage Corporation, would be set up to take over the running of the city's services.

However, reports on Tuesday said City Water planned to challenge the government's decision to terminate its contract in court.

Debt relief

When the company was awarded the contract in 2003, there were hopes among supporters that Dar es Salaam's aging water supply network would be improved under private control.

“This is yet another example of water privatisation failing to deliver clean water to poor communities”

Peter Hardstaff, World Development Movement

Privatisation was a condition of Tanzania receiving debt relief from the World Bank. The East African nation is one of the world's poorest countries.

At the time, a pop song - backed by the UK Department for International Development - was used to promote the merits of water privatisation to Tanzanians.

The song's lyrics included: "Young plants need rain, businesses need investment. Our old industries are like dry crops and privatisation brings the rain."

However, Tanzania's water minister Edward Lowassa said the quality of water and sewage services had since declined, while much investment had failed to materialise.

"The water supply services in Dar es Salaam and in the neighbouring places have deteriorated rather than improved since this firm took over some two years ago," Mr Lowassa said last week.

City Water is owned by Britain's Biwater International, Gauff Ingenieure of Germany and Tanzanian investors Superdoll Trailer Manufacturers Limited.

A spokeswoman for Biwater said the company was waiting for a reply to a request for clarification from the government on its announcement that City Water's contract had been terminated.

Mr Lowassa met workers at City Water on Tuesday to discuss how the shake-up would affect their jobs.

Aging network

Much of Dar es Salaam's water pipe network dates back to the 1950s.

Under City Water's contract, the company was required to invest $8.5m (£4.6m) in the system during the first two years. Officials said only $4.1m had been invested so far.

The government's decision to ditch the company was seen by many Tanzanians as long overdue, according to the BBC's Noel Mwakugu, in Das es Salaam.

"Many people believe that it should have happened a long time ago. City Water has not been an effective company. The infrastructure is aging, and the problems are not being addressed, yet services are being paid for," he said.

"Some restaurants have had to buy in truckloads of water just to maintain supplies. My landlord had to invest in a pump because the water pressure is very low."

'Disastrous policy'

UK campaign group World Development Movement welcomed Tanzania's decision to cancel City Water's contract.

The group's head of policy, Peter Hardstaff, called on the World Bank and the International Monetary Fund to stop their support for the privatisation of utilities in developing countries.

"This is yet another example of water privatisation failing to deliver clean water to poor communities," he said.

"Biwater's involvement in the Dar es Salaam contract is covered by the UK Export Credit Guarantee Department, so the UK taxpayer could end up footing the bill for the UK's disastrous policy of promoting water privatisation in developing countries."

A spokesman for development agency ActionAid said Tanzania's government had taken decisive action over the issue.

"We pointed out that there were problems with City Water some time ago," he said.

Biwater has operations in a number of countries in Africa, including South Africa, Nigeria, and Zimbabwe.

Once a bastion of African socialism under former leader Julius Nyerere, Tanzania has in more recent years embarked on a policy of privatising major industries.

The move has proved unpopular with some Tanzanians, who argue key business roles in the country are being occupied by foreigners.

Story from BBC NEWS:

Article 7

The World Bank and water privatisation: public money down the drain

26 SEPTEMBER 2008

by Nuria Molina and Peter Chowla

Though the World Bank may be changing its formerly dogmatic approach to full privatisation of the water sector, key cases in Tanzania, Armenia, Zambia and India highlight that the Bank may not be learning quickly enough and that the poor may be left both without improved water and paying for botched privatisations.

At water week in Washington in May, Bank vice president Kathy Sierra asserted that privatisation was not "the only answer" – there was a full spectrum of public-private mix of investments as well. Only a few days earlier senior World Bank official Shekhar Shah reported in New Delhi how the Bank had "learned the hard way" that it was not correct to leave water to the private sector.

But a statement by Lars Thunell, head of the Bank's private-sector arm the International Finance Corporation (IFC), at World Water Week in Stockholm in August shows that the Bank is still not interested in pursuing public solutions to water provision: "We believe that providing clean water and sanitation services is a real business opportunity."

this failure has added a burden to a country that is already struggling

Currently the IFC's focus is on creating the right conditions for private investors, including a $100 million fund, called IFC Infraventures, to "provide risk capital for early stage development of infrastructure projects in the poorest countries, but also to encourage more public-private partnerships." In a renewed drive to push the private sector into basic utilities, it is unlikely that the IFC will be willing and able to address the main problems stemming from the failed water privatisations of the past. Thunell also claimed: "The debate is shifting. Instead of 'should the private sector be involved in water?' the question is 'how can we work together for sensible and fair solutions?'"

Tanzania's nightmare

A fair solution has still not been reached in Tanzania, where the Bank-supported privatisation of water services resulted in sharply higher water prices, little improvement in supply and the eventual termination of the contract with UK-based multinational Biwater in 2005 (see Update 55, 46). In August this year, the Bank's International Center for the Settlement of Investment Disputes (ICSID) issued its ruling in Biwater's lawsuit against Tanzania, and found that while technical breaches of Biwater's investors' rights did occur, Biwater was not entitled to compensation because the breaches were worth nothing and the termination of the contract was inevitable.

"The Tanzanian water privatisation project was a scandal right from the beginning," said Vicky Cann of the World Development Movement. "It is absolutely right that this Court has found that Tanzania owes Biwater nothing, but shocking that Biwater saw fit to drag the government of such a poor country through the courts in the first place."

Even though the ICSID's refusal of Biwater's claim to compensation was a victory for the Tanzanian people, they have lost years waiting for improvement to their water sector. In a separate arbitration the government was awarded damages for breach of contract by the Biwater-owned local subsidiary, City Water, which had already been declared bankrupt. The Tanzanian government's lawyer suggested that the World Bank should pay reparations to Tanzania as "the whole affair was the prescription of the World Bank. It will be fair that they should pay the government".

At the very least, as Mussa Billegeya from the Tanzanian Association of NGOs said, "The failure of this policy should be a lesson to the World Bank, aid donors, and governments that privatisation is not a solution for problems in developing countries. In fact, this failure has added a burden to a country that is already struggling to reach its international poverty target on access to water."

Article 8

03/08/2019 Flagship water privatisation fails in Tanzania | Politics | The Guardian

https://www.theguardian.com/politics/2005/may/25/uk.world 1/3

Flagship water privatisation fails in Tanzania

John Vidal in Dar es Salaam

UK firm's contract cancelled amid row over supply

Wed 25 May 2005 02.04 BST

A flagship water privatisation scheme for Africa has collapsed amid claims that the British

company involved has failed to improve the supply for millions of people. Tanzania's government yesterday confirmed it had cancelled its deal with Biwater, which was contracted two years ago to bring clean water to the capital, Dar es Salaam, and the surrounding region within five years by installing new pipes. The $140m (£76.5m) World Bank-funded privatisation scheme - which was supported by the UK government - was one of the most ambitious in Africa and was intended to be a model for how the world's poorest communities could be lifted out of poverty and countries could meet their millennium development goal targets.

Tanzania has made a series of allegations against Biwater, which is working in Dar es Salaam with the German engineering firm Gauff under the name City Water. It claims that no new domestic pipework has been installed, the company has not spent the money it had promised, water quality has declined, and that revenue has decreased. "The company has failed to produce the goods," Tanzania's water minister, Edward Lowassa, said. Yesterday Cliff Stone, the British chief executive of City Water, denied the accusations and said a case had been filed against the Tanzanian government for alleged breach of contract. "It looks as if we are being confrontational, but we are not. We had a contract" he said. He accepted that the project was well behind schedule and that no pipes had been installed but he claimed water quality and quantity had improved and that 10,000 new customers had been signed up in the last two months.

He said: "We have been trying to renegotiate the terms with a view to continuing." Mr Stone claimed the Tanzanian government had given the company wrong data about water supplies and the delays were not of City Water's making. "We accept there is a serious problem, but we proposed on May 9 that we put in a further $5m over the next year and borrow a further $6m. We said, 'Let's talk about it' but the government announced the contract had terminated to the press." He said the Tanzanian government owed the company $3m.

The privatisation scheme was facilitated by British aid money. The Department for International Development paid Adam Smith International, sister organisation of the free market UK thinktank Adam Smith Institute, more than £500,000 to provide advice to the Tanzanian government. More than £250,000 of that sum was spent by Adam Smith International on a video which included the words: "Our old industries are dry like crops and privatisation brings the rain."

According to the World Development Movement in London yesterday, Tanzania was forced to privatise its water as a condition of international debt forgiveness. "The International Monetary Fund forced water privatisation on one of the poorest countries in the world in order to benefit western water companies," said Dave Timms of WDM. The collapse of the contract throws into question other water privatisations planned around the world, and the British government's involvement in them. Resentment against private water monopolies is growing, and there have been demonstrations in South America, Africa, the Caribbean, and Asia. Many western companies are accused of profiting from the poor and raising prices above what they can afford.

But City Water claimed that it stood to make little money out of the scheme. "Our declared profit was to be just 10%. There is no way we can make super-profits in Dar es Salaam" said Mr Stone. "We have been losing money. Profits always come at the end of a contract. The plan was to use this as a model for other projects and recoup money later on."

The DfID has said it has paid more than £36m in the past seven years to Adam Smith International and PricewaterhouseCoopers to advise countries on privatising utilities. Yesterday the international development group ActionAid condemned the World Bank and the British government. "The British government and public should not support this kind of tied aid from the IMF and the World Bank. The Tanzanian government's decision to revoke the contract with Biwater is very welcome," said Rose Mushi, the director of ActionAid in Tanzania. A spokesman for DfID said: "It is for the government of Tanzania to set its own policies and priorities. "It was their decision to introduce private sector participation in the water sector in Dar eSalaam. It is not appropriate for us to comment on contractual issues."

Article 9

03/08/2019 Tanzania 's water scandal | Business | The Guardian

The water margin Xan Rice

Tanzania was glad to secure the services of a British led consortium to run the newly privatised water system in its capital Dar es Salaam. But then the price of water started to rise ... Xan Rice reports

At 11.30am on June 1, 2005, three British expatriates were detained by the police in Tanzania. Cliff Stone, Michael Livermore and Roger Harrington were the senior managers at City Water, a consortium responsible for managing Dar es Salaam's water supply. After being held for several hours, the men were served with notices describing them as "undesirable immigrants" and told to leave the country. That evening at Julius Nyerere airport, they were escorted on to a plane bound for London. Their families were left to follow some days later.

Their departure from Tanzania signalled the end of a flagship World Bank privatisation deal that had been trumpeted as a modern solution to public water supply in an underdeveloped country. And it marked the beginning of a legal action that has proved hugely controversial in aid and development circles as Biwater plc, the Dorking-based private water company that led the consortium - and which is owned by Adrian White, a multi-millionaire ex-BBC governor and a former high sheriff of Surrey - pitted itself against the government of one of the world's poorest countries.

The story of water in most cities in the developing world is that the group paying the most is the poor, because they have to resort to the water vendors who peddle this precious commodity around the streets. But in Dar es Salaam it is not only the poor. Decades of neglect and underinvestment in the city's water infrastructure mean that fewer than 100,000 households - in a city of 3.5 million people - have running water.

Take Tabata, a low- to middle-income suburb whose houses of brick and concrete are set along beach-sand roads scattered with huge coconut palms: most have electricity, few have water. Sitting outside the house where she lives, Janet Gilliad, a 25-year-old woman with a broad, cheerful face, talks about her job: fetching water for the family, which consists of her month-old son, Evans, her husband, Kingston, who works as a builder, and her sister. For this household she must find, every day, 120 litres for drinking, cooking, and washing.

If she is lucky - perhaps twice or three times a week - a tap belonging to a neighbour will have water. Along with dozens of other women, she will fill six 20-litre buckets at a cost of 20 shillings (1p) each. If the tap is dry, she must buy water from the "pushcart men" who pull their wagons piled with plastic jerry cans through the streets of Dar es Salaam. They charge between

300 shillings (12p) and 1,000 shillings (40p) for 20 litres of water of varying quality. "It's expensive for us," Gilliad says. "But what can we do? We need water to live."

Plans to improve the system began more than a decade ago, when the government was trying to rebuild the economy after former president Julius Nyerere's failed experiment in socialism. Many of the nearly 400 state-controlled organisations and services were being put up for sale.

Leading the privatisation push was the World Bank. Britain, which pumps in more aid to Tanzania - £100m this year - than it does to any other sub-Saharan country, provided the background music. The Department for International Development gave a £444,000 contract to Adam Smith International, a British free-market consultancy, mainly to do public-relations work for the project. As part of this, the consultancy produced what was described as the world's first privatisation pop song. It was performed by Captain John Komba, the country's best-known gospel singer, who is now an MP.

"Governments and business people, / Tanzania and foreigners, / are like four legs of a table/ at which our children will one day feast," he sang. The song mentioned electricity, telephones, the ports, the railways - and water.

Privatisation of water-supply systems has always been controversial in the developing world, and in sub-Saharan Africa in particular. The conflicting motives of foreign companies, which want to maximise profit, and governments, which seek - in theory at least - to improve access to water for people with limited means to pay, means that so far there have been precious few success stories.

Still, the World Bank and International Monetary Fund had little doubt that it was the best way forward for the Dar es Salaam Water and Sewage Authority (Dawasa). They made the privatisation of Dawasa's assets a condition for Tanzania receiving massive debt relief. When no buyer emerged, the bank removed its demand that the assets be sold. But it made clear that a $143.5m (£72m) loan package for upgrading the city's water infrastructure would be forthcoming only if a private company operated the water system.

Three firms expressed strong interest. Two were from France, the country that traditionally has dominated the water-privatisation sector worldwide. The third bidder was the City Water consortium. Led by Biwater, the consortium's other partners were a German engineering firm, Gauff, and a Tanzanian investor, Superdoll Trailer Manufacturing Company.

Founded in 1968 by Adrian White, Biwater had really made its name and helped earn White his fortune during Margaret Thatcher's push for privatisation in Britain. Within the industry the company had a decent reputation for building and running water treatment plants but had never taken charge of such a huge management operation before. When the French companies declined to submit a final tender, Biwater's consortium won the day. "City Water submitted its bid at a rock-bottom price," says a British water consultant who followed the bid process. He believes the consortium was unaware that it was the only bidder. Even if it performed well, making money would be a huge challenge. "It was in the crap from day one," he says.

The fundamentals of the deal were that Dawasa would still own the infrastructure, while City Water would operate the system. The company's job would include billing, collecting revenue from customers, making new connections, and doing routine maintenance. City Water had to invest a modest $8.5m (£4.3m) - mainly in "removable assets" such as computers to run the billing and management systems - during the 10-year contract; and it had a six-year tax holiday.

August 1, 2003 was the day City Water took charge of Dar es Salaam's water, and the day it started haemorrhaging money. Not only was the company unable to meet revenue collection targets agreed in the contract - and which were crucial to attain if it were to make a profit - City Water was collecting less money than its state-run predecessor. At the same time, though, the people of the capital saw their water bills rising.

City Water repeatedly complained to the Tanzanian water ministry that its bid was based on flawed information supplied by Dawasa. According to a subsequent World Bank report, signed by the bank's then-president, Paul Wolfowitz, City Water stopped paying its monthly fee for leasing Dawasa's piping and other infrastructure in July 2004, less than a year into the contract. The company was also insisting that its operating fee be raised.

Asked by Dawasa to assess if this was justified, auditors PricewaterhouseCoopers and the British engineering consultants Howard Humphreys rejected City Water's arguments. (Biwater, for its part, directs blame at Dar es Salaam's water authority, saying that Dawasa had "barely started" big capital-works projects on which rehabilitation of the system depended.)

Other reports were also critical of City Water. A study commissioned by the German Development Cooperation concluded: "It is clear that City Water performed badly." The unpublished World Bank report said, "The primary assumption on the part of almost all involved, particularly on the donor side, was that it would be very hard, if not impossible, for the private operator to perform worse than Dawasa. But that is what happened."

And a report subsequently commissioned by the World Bank, but never published, showed that members of the bank's technical team in Dar es Salaam had reservations about the City Water offer from the outset. The project was based on an arrangement where the consortium was to lease the infrastructure for piping water while recouping the costs from the customer; the technical team felt that Biwater's record in operating smaller versions of such "lease contracts" in other countries - including South Africa, Mexico and Britain - was patchy. It had also, in the report's view, put forward an inexperienced team to lead the operation.

These and other concerns had led the team to ask their water experts at head office to review the project's design. But the World Bank's quality assurance group in Washington awarded the project a "highly satisfactory" ranking - the top score. And as Biwater said later in a statement to the Guardian: "The World Bank approved [City Water's] bid after an exhaustive financial and technical assessment process lasting several months." Biwater also rejected any notion of gaps in its experience, noting that it has operated dozens of contracts in South America, Asia, Britain, and Africa, where it points to "some outstanding results" from its public-private water operation in the South African city of Nelspruit. And, it said, several members of its Tanzania team had spent more than a decade in management positions in Africa.

Privatisation contracts are a business arrangement, and City Water's was no different. Separate from the agreed capital spending, City Water's one "social" obligation was to contribute towards a fund for first-time connections. "The fund was to be used to connect new, mostly poor, households to the piped system," says Maj Fiil, who followed City Water's operations closely as a director at Food and Water Watch, an environmental campaigning organisation based in Washington. "It was never created." Two World Bank reports made the same assertion.

There were changes in City's Water's senior management in Dar es Salaam, but the company's problems proliferated. Superdoll, the Tanzanian investor, was refusing to put in more equity without a bigger say in management. And some of the local staff were unhappy. Mathias Mulagwanda, an engineer who was among 1,300 employees taken on by City Water, says: "The chiefs were all whites. There was a distance between them and us, and they did not want to listen to our ideas. There was no teamwork and we did not really know what was going on."

Biwater's argument was that the core problem was the low-operator tariff - its source of revenue. White twice flew to Dar es Salaam with his chief executive, Larry Magor, to try to renegotiate the contract, putting the case that the tariff (set as a percentage of the water price) was proving unfair to the company.

Meanwhile, the public mood was worsening. Few people had seen any benefits from privatisation. By agreement between Biwater and the government, water prices had risen sharply, yet there had been no discernible improvement in supply, reliability, and quality. With an election looming, the government was under pressure to act. In a final attempt to save the deal, it appointed Tony Ballance, a former chief economist at the British water regulator Ofwat, to mediate between the parties. Various proposals were put forward, but none was acceptable to both sides. Tanzania's government had had enough. On May 13, 2005, it decided to cancel City Water's contract.

Many aid and development agencies and water experts believe that the government had done little wrong up to this point. "If I was them, I would have given City Water one month's notice and then kicked them out," says the British water consultant who earlier had been observing the bid process.

But the government, and in particular the then-water minister, Edward Lowassa (who has since become prime minister), chose a more dramatic method. They announced the cancellation at a televised press conference, giving the case a political hue, before making what could prove an expensive decision: forcing the three expatriates on to a plane out of the country.

Within weeks of the deportation, a Biwater advertisement critical of the Tanzanian government appeared in several African publications. "When aid flows through political pipes, it sometime leaks," it said. The company followed this on August 2, by lodging its case at a little-known affiliate of the World Bank, called the International Centre for Settlement of Investment Disputes, which sits in The Hague and other regional centres around the world. Biwater asked the tribunal's three arbitrators to rule that Tanzania should pay the company between \$20m-\$25m (£10m-£12.5m) for actions amounting to expropriation of its investment, assets, and revenues in Dar es Salaam.

Expressing regret in a press release at the time, Biwater said, "We have been left with no choice" - and added in its recent statement: "If a signal goes out that governments are free to expropriate foreign investments with impunity", then potential investors will think twice, an outcome that would "deal a massive blow to the development goals of Tanzania and [of] other countries in Africa".

Lawyers for Tanzania's government, whose participation in such a tribunal process is among the terms of a bilateral investment treaty signed with Britain in 1994, argue that Biwater failed in its contractual obligations, performing worse than its inefficient state-owned predecessor. If the government was to meet its citizens' need for safe water, it too had no choice, they claim, but to terminate the City Water arrangement just 22 months into what was meant to be a 10year contract.

Despite the secrecy of proceedings - the tribunal is closed to the public, and Biwater sought and was granted a ruling that both parties refrain from speaking publicly to the media during the week-long hearing that finally began in The Hague in April - a host of interested parties will be closely monitoring the outcome in the wake of final arguments submitted as proceedings wrapped up in July.

The World Bank, which pressed Tanzania to enter into the contract, now faces the possibility of seeing the country penalised in a tribunal of the bank's own creation. A bank spokesman declined to comment on the case but says that a consultant had recently been appointed to provide a thorough review of the affair: "It is important for us to learn from what went wrong," he says. And if the tribunal rules against Tanzania, then Britain, which provided privatisation support and is Tanzania's biggest donor, could end up funding any pay-out. Around the world, future participation in privatisation deals by other water and utility companies also stand to be influenced by the arbitrators' decision. For their part, aid and development campaigners see the case as another example of global corporations trampling over the interests of the developing world. "What Biwater is doing is like finding a small child in a remote village with a single penny in his hand," says Rose Mushi, director of the charity Action Aid in Tanzania, "and then taking that penny away from him."

A decade ago, it would have been unusual for a company to launch a formal claim against a foreign government. What has changed that is the explosion in the number of bilateral investment treaties. These are signed between states - typically a rich country and a developing nation, though agreements between countries of similar economic status are becoming more common - to give commercial companies certain guarantees when they invest overseas, such as fair treatment and protection from expropriation. Included in such treaties is the right of companies to lodge claims against governments at the settlements tribunal. According to a new report published by the Washington-based Institute for Policy Studies, and

Food and Water Watch, there are more than 2,500 bilateral investment treaties today, compared to 385 in 1989. And of the 255 investor-state lawsuits filed under these treaties, more than two-thirds have been lodged in the past four years.

The report's breakdown of cases brought to the tribunal - which is funded by the World Bank and has an administrative council that is chaired by the bank's president - also shows that the vast majority of claims filed since 2002 have been aimed at the governments of developing countries and that to date more than two-thirds of cases have ended with a government paying compensation to the investor. Argentina alone is facing 32 actions from foreign companies seeking recompense for the effects of emergency measures imposed by the government during the economic crisis of 2001-02, when the country was in financial meltdown. At the other end of the scale, 1% of current claims are aimed at the G8 group of leading industrialised nations.

Some aid and development groups say the investment treaties diminish a country's sovereignty and criticise the closed-door nature of the tribunal. Although the choice of arbitrators is agreed with the respondent's consent, there is no right of appeal. The Biwater case in particular has outraged such groups. Vicky Cann, a policy officer at the World Development Movement, which recently held a protest outside Biwater's headquarters, termed it disgraceful that a failed water privatisation project could lead to a poor country possibly "forking out millions of dollars in a court case being held in secret and on foreign soil".

In May, Bolivia gave six months' notice to the World Bank that it would be withdrawing from the International Centre for Settlement of Investments Disputes, effective in early November. Bolivia cited the high costs of defending cases brought by companies. Venezuela has hinted that it may do the same. Whether withdrawal makes a country immune from such lawsuits is, however, uncertain.

Some lawyers also argue that many of these investor-state cases are inappropriate for arbitration as public-welfare issues are involved. Nathalie Bernasconi, managing attorney at the Centre for International Environmental Law in Geneva, who helped drafted a legal submission in the Biwater case, argued that the "human right to water" differentiated the action from a normal investment dispute. "In Dar es Salaam, there was an expectation that the water system would improve," said Bernasconi. "But all the studies show that the situation did not improve. If the private sector inhibits the government doing its duty, the government has a duty to act."

Since City Water's contract was ended, Dar es Salaam's water supply has been managed by Alex Kaaya, a small, scholarly looking man in his 50s based in an office on the airport road. He seems oddly optimistic, given the still awful state of water provision. Revenue collection is up by 40%, and costs have been cut, he claims. A new billing system is in place. He says he expects these improvements to come as a product of privatisation, a process he supported when he was working at the water ministry. "I still don't think the idea was wrong. We just had the wrong managers. It set us back many years."

The total amount of money collected from water customers in 2006 was 17bn shillings, or

£6.8m, he calculates, flicking through his files. That means that if the Hague tribunal finds Tanzania in the wrong and upholds Biwater's claim, the government's pay-out will absorb the equivalent of two years' worth of water payments by the people of Dar es Salaam.

Article 10

What is the IMF?

The International Monetary Fund and the World Bank were created in 1944 at a conference in Bretton Woods, New Hampshire, and are now based in Washington, DC. The IMF was originally designed to promote international economic cooperation and provide its member countries with short term loans so they could trade with other countries (achieve balance of payments). Since the debt crisis of the 1980's, the IMF has assumed the role of bailing out countries during financial crises (caused in large part by currency speculation in the global casino economy) with emergency loan packages tied to certain conditions, often referred to as structural adjustment policies (SAPs). The IMF now acts like a global loan shark, exerting enormous leverage over the economies of more than 60 countries. These countries have to follow the IMF's policies to get loans, international assistance, and even debt relief. Thus, the IMF decides how much debtor countries can spend on education, health care, and environmental protection. The IMF is one of the most powerful institutions on Earth -- yet few know how it works.

1. The IMF has created an immoral system of modern day colonialism that SAPs the poor

The IMF -- along with the WTO and the World Bank -- has put the global economy on a path of greater inequality and environmental destruction. The IMF's and World Bank's structural adjustment policies (SAPs) ensure debt repayment by requiring countries to cut spending on education and health; eliminate basic food and transportation subsidies; devalue national currencies to make exports cheaper; privatize national assets; and freeze wages. Such belt-tightening measures increase poverty, reduce countries' ability to develop strong domestic economies and allow multinational corporations to exploit workers and the environment A recent IMF loan package for Argentina, for example, is tied to cuts in doctors' and teachers' salaries and decreases in social security payments.. The IMF has made elites from the Global South more accountable to First World elites than their own people, thus undermining the democratic process.

2. The IMF serves wealthy countries and Wall Street

Unlike a democratic system in which each member country would have an equal vote, rich countries dominate decision-making in the IMF because voting power is determined by the amount of money that each country pays into the IMF's quota system. It's a system of one dollar, one vote. The U.S. is the largest shareholder with a quota of 18 percent. Germany, Japan, France, Great Britain, and the US combined control about 38 percent. The disproportionate amount of power held by wealthy countries means that the interests of bankers, investors and corporations from industrialized countries are put above the needs of the world's poor majority.

3. The IMF is imposing a fundamentally flawed development model

Unlike the path historically followed by the industrialized countries, the IMF forces countries from the Global South to prioritize export production over the development of diversified domestic economies. Nearly 80 percent of all malnourished children in the developing world live in countries where farmers have been forced to shift from food production for local consumption to the production of export crops destined for wealthy countries. The IMF also requires countries to eliminate assistance to domestic industries while providing benefits for multinational corporations -- such as forcibly lowering labour costs. Small businesses and farmers can't compete. Sweatshop workers in free trade zones set up by the IMF and World Bank earn starvation wages, live in deplorable conditions, and are unable to provide for their families. The cycle of poverty is perpetuated, not eliminated, as governments' debt to the IMF grows.

4. The IMF is a secretive institution with no accountability

The IMF is funded with taxpayer money, yet it operates behind a veil of secrecy. Members of affected communities do not participate in designing loan packages. The IMF works with a select group of central bankers and finance ministers to make polices without input from other government agencies such as health, education, and environment departments. The institution has resisted calls for public scrutiny and independent evaluation.

5. IMF policies promote corporate welfare

To increase exports, countries are encouraged to give tax breaks and subsidies to export industries. Public assets such as forestland and government utilities (phone, water, and electricity companies) are sold off to foreign investors at rock bottom prices. In Guyana, an Asian owned timber company called Barama received a logging concession that was 1.5 times the total amount of land all the indigenous communities were granted. Barama also received a five-year tax holiday. The IMF forced Haiti to open its market to imported, highly subsidized US rice at the same time it prohibited Haiti from subsidizing its own farmers. A US corporation called Early Rice now sells nearly 50 percent of the rice consumed in Haiti.

6. The IMF hurts workers

The IMF and World Bank frequently advise countries to attract foreign investors by weakening their labour laws -- eliminating collective bargaining laws and suppressing wages, for example. The IMF's mantra of "labour flexibility" permits corporations to fire at whim and move where wages are cheapest. According to the 1995 UN Trade and Development Report, employers are using this extra "flexibility" in labour laws to shed workers rather than create jobs. In Haiti, the government was told to eliminate a statute in their labour code that mandated increases in the minimum wage when inflation exceeded 10 percent. By the end of 1997, Haiti's minimum wage was only $2.40 a day. Workers in the U.S. are also hurt by IMF policies because they have to compete with cheap, exploited labour. The IMF's mismanagement of the Asian financial crisis plunged South Korea, Indonesia, Thailand, and other countries into deep depression that created 200 million "newly poor." The IMF advised countries to "export their way out of the crisis." Consequently, more than US 12,000 steelworkers were laid off when Asian steel was dumped in the US.

7. The IMF's policies hurt women the most

SAPs make it much more difficult for women to meet their families' basic needs. When education costs rise due to IMF-imposed fees for the use of public services (so-called "user fees") girls are the first to be withdrawn from schools. User fees at public clinics and hospitals make healthcare unaffordable to those who need it most. The shift to export agriculture also makes it harder for women to feed their families. Women have become more exploited as government workplace regulations are rolled back and sweatshops abuses increase.

8. IMF Policies hurt the environment

IMF loans and bailout packages are paving the way for natural resource exploitation on a staggering scale. The IMF does not consider the environmental impacts of lending policies, and environmental ministries and groups are not included in policy making. The focus on export growth to earn hard currency to pay back loans has led to an unsustainable liquidation of natural resources. For example, the Ivory Coast's increased reliance on cocoa exports has led to a loss of two-thirds of the country's forests.

9. The IMF bails out rich bankers, creating a moral hazard and greater instability in the global economy

The IMF routinely pushes countries to deregulate financial systems. The removal of regulations that might limit speculation has greatly increased capital investment in developing country financial markets. More than $1.5 trillion crosses borders every day. Most of this capital is invested short-term, putting countries at the whim of financial speculators. The Mexican 1995 peso crisis was partly a result of these IMF policies. When the bubble popped, the IMF and US government stepped in to prop up interest and exchange rates, using taxpayer money to bail out Wall Street bankers. Such bailouts encourage investors to continue making risky, speculative bets, thereby increasing the instability of national economies. During the bailout of Asian countries, the IMF required governments to assume the bad debts of private banks, thus making the public pay the costs and draining yet more resources away from social programs.

10. IMF bailouts deepen, rather than solve, economic crisis

During financial crises -- such as with Mexico in 1995 and South Korea, Indonesia, Thailand, Brazil, and Russia in 1997 -- the IMF stepped in as the lender of last resort. Yet the IMF bailouts in the Asian financial crisis did not stop the financial panic -- rather, the crisis deepened and spread to more countries. The policies imposed as conditions of these loans were bad medicine, causing layoffs in the short run and undermining development in the long run. In South Korea, the IMF sparked a recession by raising interest rates, which led to more bankruptcies and unemployment. Under the IMF imposed economic reforms after the peso bailout in 1995, the number of Mexicans living in extreme poverty increased more than 50 percent and the national average minimum wage fell 20 percent.

Article 11

Foreign Direct Investment

Tejvan Pettinger February 16, 2016 economics

Definition of Foreign Direct Investment (FDI).

- FDI is the net transfer of funds to purchase and acquire physical capital, such as factories and machines, e.g. Nissan a Japanese firm building a car factory in the UK.
- In recent years, foreign direct investment has also widened to include purchase of assets and shares which give investors a management interest in a firm.
- The World Bank define foreign direct investment as:

"Foreign direct investment are the net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments." (World Bank)

- Foreign Direct Investment should be distinguished from portfolio transfers (e.g. moving financial capital to foreign bank accounts) this is known as indirect investment. (However, to complicate things, if there is portfolio transfers which leads to a foreign investor controlling a management share in the company, then this may be considered Foreign Direct Investment because of the transfer of ownership.)

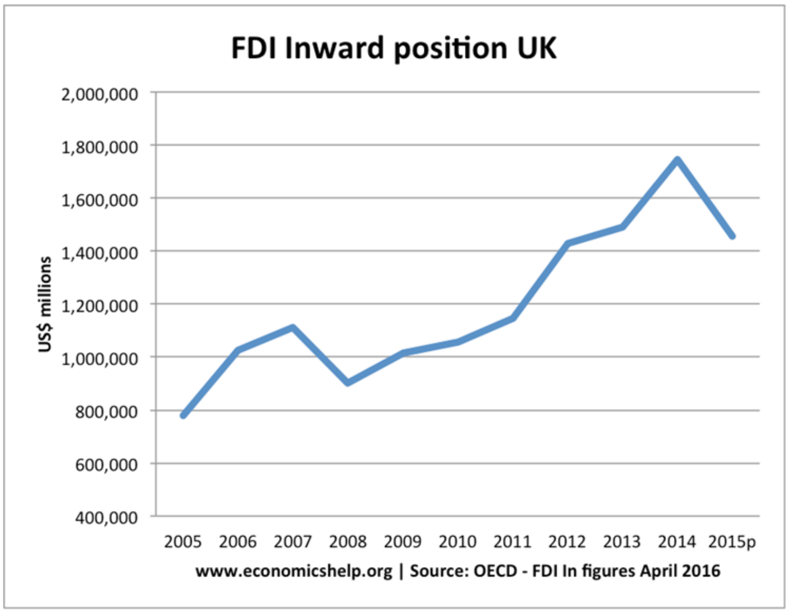
FDI net inflows / outflows

FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy. This is usually reported for a given year

Inward investment stock

This is the total accumulated level of foreign direct investment in a country. For example, in 2014, the value of accumulated FDI in the UK – exceeded £1 trillion level for the first time. (Gov.uk)

Source: OECD



Reasons firms engage in FDI

Most foreign direct investment is taken by firms and multinational corporations, who hope to benefit from some of these advantages:

1. Take advantage of lower labour costs in other countries (e.g. India is one of biggest recipients of FDI, where labour costs are much lower than in OECD.

2. Take advantage of proximity to raw materials rather than transport them around the world.

3. Avoid tariff barriers and other non-tariff barriers to trade.

4. Reduce transport costs. For example, by producing cars in UK, Nissan has lower transport costs for selling to UK market.

5. Opportunities for using local knowledge to help tap into domestic markets. For example, by investing in a foreign country and working with local workers, a multinational can gain a better insight into what works well for local markets.

Advantages of Foreign Direct Investment (FDI)

- Capital inflows create higher output and jobs.

- Capital inflows can help finance a current account deficit.

- Long term capital inflows are more sustainable than short term portfolio inflows. e.g. in a credit crunch, banks can easily withdraw portfolio investment, but capital investment is less prone to sudden withdrawals.

- Recipient country can benefit from improved knowledge and expertise of foreign multinational.

- Investment from abroad could lead to higher wages and improved working conditions, especially if the MNCs are conscious of their public image of working conditions in developing economies.

Potential Problems of Foreign Direct Investment

- Gives multinationals controlling rights within foreign countries. Critics argue powerful MNCs can use their financial clout to influence local politics to gain favourable laws and regulations.
- FDI may be a convenient way to bypass local environmental laws. Developing countries may be tempted to compete on reducing environmental regulation to attract the necessary FDI.
- FDI does not always benefit recipient countries as it enables foreign multinationals to gain from ownership of raw materials, with little evidence of wealth being distributed throughout society.
- Multinationals have been criticised for poor working conditions in foreign factories (e.g. Apple's factories in China)

Foreign Direct Investment has increased significantly in past few decades. This is because

- Lower transport costs
- Improved technology which has helped increase low capital intensive start ups
- Increased global trade and lower tariff costs

Article 12

Monsanto, Bayer officials defend proposed $66 billion merger

September 20, 2016

WASHINGTON (AP) — Top officials for Monsanto and Bayer defended their proposed $66 billion merger before sceptical senators on Tuesday, insisting that the deal would lead to greater investments in technology that could help American farmers.

Monsanto, the American seed and weed-killer, and Bayer, the German medicine and farm-chemical maker, responded to concerns from Iowa Sen. Charles Grassley, the Republican chairman of the Senate Judiciary Committee.

Grassley warned that consolidation and competition in the U.S. seed and agrochemical industry could hurt American farmers who are already dealing with an economic downturn.

"I'm afraid this consolidation wave has become a tsunami," Grassley said as the hearing opened.

After months of negotiations, St. Louis-based Monsanto Co. last week accepted an offer from Leverkusen, Germany-based Bayer AG that will pay $57 billion to Monsanto shareholders and assume $9 billion in Monsanto debt. The deal combines two of the six U.S. and European companies that dominate the agrochemical market and would create a global agricultural and chemical giant with a broad array of products.

Robb Fraley, executive vice president and chief technology officer of Monsanto, and Jim Blome, president, and CEO of Bayer CropScience North America, both testified that the combined investment is needed to meet a rising food demand.

"This type of change enables more innovation and delivers better products to the farm even faster," Fraley said. "Farmers are best served when companies invest more in new technologies and accelerate the pace of their (research and development), which in turn spurs robust competition."

Blome noted that Monsanto has a greater presence in North America while Bayer's business is greater outside of North America.

"Monsanto is a perfect match to Bayer's agricultural business — combining complementary skills with limited geographic overlap," Blome said.

Grassley pointed to lower crop prices and higher seed prices, saying farmers are under "tremendous pressure" as the agriculture economy has slowed in the last couple of years.

The Iowa senator said antitrust regulators should closely watch consolidation of the agricultural biotech industry and coordinate oversight between agencies. He said the Federal Trade Commission is currently reviewing another merger between Syngenta AG and the China National Chemical Corp. and the Justice Department is looking at the merger of Dow Chemical and DuPont.

"The innovations of the companies in this room today have helped the world reach productivity levels which ease fears over meeting the long-term demands of our growing global population," Grassley said. "However, when does the size of companies and concentration in the market reach the tipping point, so much that a market becomes anti-competitive?"

Executives from Syngenta, Dow AgroSciences and DuPont similarly defended their own merger plans at the hearing, saying that combined resources would help spur better innovations. Grassley said that the China National Chemical Corp. declined to testify.

Republican Sens. Thom Tillis of North Carolina and Orrin Hatch of Utah said the companies are facing too many government regulations and that is one reason for the mergers.

"No one this side of the dais should be surprised that they have to go through this to survive," Tillis said.

Democrats were less supportive. "You have to look at it from the consumer's point of view, and whether that is good policy," said Illinois Sen. Dick Durbin.

Farm groups testified that they are worried about the consequences.

Roger Johnson, head of the National Farmers Union, said that the mergers would mean that three companies would have more than 80 percent of U.S. corn seed sales and 70 percent of the global pesticide market.

"These mergers will result in fewer choices for farmers, higher prices, and less innovation," he said.

Bayer and Monsanto both own a variety of well-known products. Bayer sells crop protection chemicals used to kill weeds, insects and plant fungal diseases and also makes popular pharmaceutical products such as Bayer aspirin, Claritin allergy medicine and Alka Seltzer. Bayer also owns Dr. Scholl's foot products and Coppertone sunscreen.

Monsanto sells seeds for fruits, vegetables, corn, soybeans, cotton and other crops, plus heavily advertised Roundup weed killer. The company is a leading producer of genetically modified seeds engineered to resist drought and herbicides, among other things. Activists who oppose those so-called genetically modified organisms, or GMOs, have created a grassroots effort to vilify the company, even holding marches on city streets to protest Monsanto by name.

Bayer and Monsanto executives so far have not said if the Monsanto name will change. They say the combined company's seeds and North American business will still have a headquarters at Monsanto's St. Louis base.

Read through the news article and decide whether they are about offshoring, foreign merger, foreign acquisition, or transfer pricing

Article 13

How Qatar bought Britain: They own the Shard. They own the Olympic Village. And they don't care if their Lamborghinis get clamped when they shop at Harrods (which is theirs, too)

By EDNA FERNANDES in Doha

Published: 22:17, 10 March 2012 Updated: 09:49, 13 March 2012

Creeping steadily above the London skyline, the Shard will be Europe's tallest building when it is finally finished in a few weeks' time: an extraordinary monument to glass, steel, and sheer ambition.

And an appropriate symbol for the rise of its Qatari owners and their ever-growing influence here in Britain.

From the ruins of the financial crisis, this tiny Gulf state has snapped up a range of famous British assets, and if you were to take a look from the upper storeys of the Shard, quite a few would be in view.

Qatar is one of the few countries able to do business and talk politics with almost anyone. Its advocates say it is in an ideal position to help reshape the Middle East (pictured: Doha city skyline)

Qatar owns swathes of the Canary Wharf financial district through its majority holding in Songbird Estates plc

To the east, Qatar owns swathes of the Canary Wharf financial district through its majority holding in Songbird Estates plc.

When Barclays was in trouble at the height of the banking turmoil, the Qatar Investment Authority (QIA) emerged as a white-knight investor and became the biggest shareholder.

Over at Stratford stand the buildings of the Olympic Village – once the Games are finished this summer, QIA will take ownership.

Due west lie Harrods and, close by, No 1 Hyde Park, the world's most expensive block of flats, also Qatari-owned.

A sovereign wealth fund with tens of billions of pounds in assets and a global reach, QIA has already invested £10 billion in Britain, with more planned. Its influence is everywhere.

If you walk into any Sainsbury's across the UK, remember that Qatar is a major investor.

It owns 20 per cent of the London Stock Exchange and, at the other end of the scale, it owns 20 per cent of Camden market, the biggest grunge emporium in the country.

Qatar is smaller than Belgium yet seems to be laying claim to the future of our capital.

Its real influence, however, which could yet shape the lives of millions of ordinary Britons, is invisible and still growing.

Qatar is preparing for decades more of boom. Its population is expected to double within a decade as more foreign businesses and construction workers flood in.

Over at Stratford stand the buildings of the Olympic Village - once the Games are finished this summer, QIA will take ownership

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If you walk into any Sainsbury's across the UK, remember that Qatar is a major investor

From a standing start, in the last two years Qatar has become Britain’s biggest supplier of imported liquefied natural gas (LNG).

Last year Qatari LNG accounted for 85 per cent of Britain’s liquefied natural gas imports, providing power to homes across the land.

But that figure is rising, and by the final quarter of 2011, Qatari supplies had jumped to 95.5 per cent of our total LNG imports.

For some, at least, our dependence on Qatar for a major part of our power has become a significant cause for concern. (LNG already accounts for one quarter of the UK gas supply.)

As one union leader put it: ‘They have vast sums to spend, they invest in our strategic industries and that in turn allows them to influence the type of society we are.’

Certainly, as North Sea oil reserves diminish, this tiny Gulf state has become pivotal to Britain's future energy security and our prosperity.

It is little wonder that both David Cameron and his predecessor as Prime Minister, Gordon Brown, have been assiduous in courting the Qatari leader, Emir Hamad bin Khalifa Al-Thani, and his glamorous wife, Sheikha Moza bint Nasser Al-Missned.

The only time the Qataris have excited the curiosity of the British was when two of their royal family's matching turquoise supercars were clamped outside Harrods, which they own

Massive influence: Due west lie Harrods and, close by, No 1 Hyde Park, the world's most expensive block of flats, also Qatari-owned

Taking over: It even owns 20 per cent of Camden market, the biggest grunge emporium in the country

On a state visit to the UK last year, the Emir and his royal consort were pictured with the Queen and Prince Philip.

The couple were treated to a stay at Windsor Castle and given the full charm offensive.

The consort, or Sheikha, proved a charmer in her own right. The second of the Emir's three wives, she won over Prince Philip as well as London's fashionistas who claimed that her 'Gulf chic' was 'two parts Jackie O, one part Carrie Bradshaw'.

In fact, the two royal families have excellent relations. When Prince Charles wrote a private letter to the Emir objecting to a Qatari-backed property development at Chelsea Barracks, the Gulf state pulled out.

Thanks to oil and gas, Qatar is now the world's richest country based on per capita income. Its 1.7 million population enjoyed economic growth of 20 per cent in 2011, one of the fastest worldwide.

Between 2011 and 2016, Qatar plans to spend £80 billion on public infrastructure

With such energy riches has come political ambition. From almost nowhere, Qatar has emerged as a regional super-power. Its list of friends is long and unorthodox: from the U.S. and Iran, to Hamas and the Taliban, which both have 'offices' in its capital, Doha.

It was Doha that helped initiate talks between the U.S. and the Taliban.

Qatar is one of the few countries able to do business and talk politics with almost anyone.

It has been a key player in the Arab Spring and its advocates say it is in an ideal position to help reshape the Middle East.

Yet Qatar is still an unknown entity to many Britons who may well be relying on its gas to make a cup of tea, power their TV or heat their homes.

Indeed, the only time the Qataris have excited the curiosity of the British was when two of their royal family's matching turquoise supercars were clamped outside Harrods, which they own.

As my plane descends into Doha, the view is one of a magnificent modern city summoned up from the desert sands.

Driving in from the airport, desert winds whip up sandstorms and the famous New York and London-inspired skyline appears from the dust like a mirage.

Yet it remains half finished, still in the throes of reinvention as a financial hub.

Between 2011 and 2016, Qatar plans to spend £80 billion on public infrastructure, turning this former desert nation into a state-of-the-art business and tourism centre by building a new airport, a national railway, a city metro, and a causeway to the island kingdom of Bahrain.

Doha is an oasis of imported marble and concrete as it builds at breakneck speed to deliver towering monuments to its global ambitions in time for 2022 when everyone's eyes will be upon it as it hosts the World Cup.

Vast luxury apartment complexes ring designer shopping malls overlooking a harbour where billionaires' yachts are parked as casually as BMWs.

The luxury designer shopping emporiums are as cavernous as aircraft hangars. Yet there are few shoppers around, with just the occasional echo of Louboutin's clattering along marble-lined corridors of Gucci, Prada, and the like, peeking tantalisingly from the hem of a burka.

The scale of construction here is epic yet the population is small. Are there people to fill these designer apartments and malls, and businesses for these tower blocks, one wonders?

Doha is building at breakneck speed to deliver towering monuments to its global ambitions in time for 2022 when everyone's eyes will be upon it as it hosts the World Cup

The answer, it seems, is not yet, but there will be. Qatar is preparing for decades more of boom. It is a city with its eye on the future. Its population is expected to double within a decade as more foreign businesses and construction workers flood in.

Trevor Bailey is a Kent banker who left Britain before the 2008 financial crisis to take a job in Qatar as chief business development officer at Aamal, one of Qatar's biggest conglomerates. It owns the W Hotel chain, favoured haunt of celebrities and the super-rich alike, as well as industries ranging from construction materials to supply and distribution.

‘Everything is being built from scratch,’ he says with a wave to the skyline from his boardroom.

‘Hotels, railways, water systems, metros, you name it. British businessmen want in. We even had James Caan from Dragons’ Den here recently looking at property deals.

'I’ve been in business for 30 years and I’ve never seen growth like this. It’s the equivalent of Britain’s Industrial Age.’

Just a few decades ago, this former British protectorate was renowned for little more than pearl fishing. It became independent in 1971 and not long after discovered one of the world’s largest deposits of LNG off its coast; the third-largest gas reserves in the world after Russia and Iran.

Today, with 900 trillion cubic feet of proven reserves, Qatar has become the biggest LNG exporter in the world. The state itself, and its fortunes, have been transformed.

The tiny population is mostly made up of fortune seekers of one kind or another, whether businessmen like Bailey or construction labourers from Africa or Asia. Only 300,000 are Qatari.

Concerns have been raised about labourers’ working conditions, comparing them with neighbouring Gulf countries where human-rights groups have cited exploitative conditions. Qatar denies this and says everyone is benefiting from the regeneration of its nation.

To the visitor, Qatar is a city of opposites: the oil rich and the foreign labouring underclass; Western decadence married to Islamic orthodoxy; modernity and Arab Bedouin tradition.

The Western-branded glitz is combined with a very conservative Middle Eastern culture. Qatar is run according to sharia law, most of its population are Sunni Muslims and it is still a traditional society despite being more liberal than some of its neighbours, which include Saudi Arabia.

Most of the five-star hotels and restaurants do not serve alcohol. To get a drink at one hotel with the required permit, I was told I needed to show my passport. A dispensation will be granted for the World Cup. After all, football fans get thirsty when it is 50 degrees Celsius.

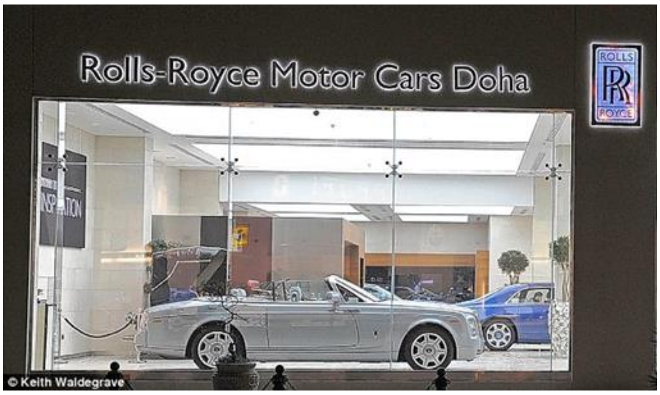
Ras Laffan is one hour’s drive from Doha and entering this industrial city of a quarter of a million energy workers is like stepping on to a Bond movie set.

You need prior clearance to enter, with greater security than I found at the airport. The 114-square-mile city is protected by razor-wire-topped walls, and hundreds of miles of pipelines crisscross its confines.

Overlooking the azure waters of the Arabian Gulf, it brings the gas onshore from the North Field, which is out at sea. The gas is then turned into liquefied form and piped on to giant tankers.

We are taken to one of the six berths used to load vessels bound for Britain. Some of these enormous ships can carry as much as 266,000 cubic metres of LNG. Each vessel takes 18 days to reach the UK and contains enough natural gas to meet the needs of every household in London for one week.

Britain is one of Qatar's best customers. The biggest is Japan, becoming hugely dependent on the Gulf state after the 2011 Fukushima nuclear disaster. That had a knock-on effect for the UK, pushing up the cost of our Qatari gas because supplies were in greater demand.



Car showrooms display the wealth of the tiny state. Wages are good and unemployment is among the lowest in the world: the average per capita income was the equivalent of £87,000 in 2010

As my guide, a charming UK-educated Qatari, showed me around the port city, we watched the ships head out to sea. They must pass through the Straits of Hormuz, which neighbouring Iran threatens to blockade as it steps up its rhetoric with the West.

That threat is causing massive concern in Qatar and would be a disaster for the UK. Nasser Al Jaidah is CEO of Qatar Petroleum International, which runs Ras Laffan, and one of Qatar's most powerful business leaders.

He told me: 'It's a major concern not just for Qatar but for the world. If supplies are disrupted, imagine the fate for the world economy. Even a closure of a few days would be a major problem.'

Some reports say his company is looking at contingency plans for closing Ras Laffan if an Iranian blockade happens. If Qatar cannot export, it cannot produce. The implications for Britain are clear, although the U.S. has vowed to keep the straits open.

It is unsurprising that Qatar has so carefully built up allies across the region and beyond. It has a tiny army, but its diplomatic reach is long.

'It's in our interests to have a stable world, to defuse conflict in the region,' says Nasser Al Jaidah.

'What happens around us spills over into our ability to supply our customers and our economy. We don't want revolutions.

'We're friends with the West, but we're also close to the Islamists who are rising after the Arab Spring.

'Why? Because they're the winning side. We have used our power in the region. But remember, we have that leverage because we're economically strong.

'The Emir has this policy of being a crisis solver. He believes there's no point in being rich in a troublesome neighbourhood.'

It is interesting to note that there has been no Arab Spring in Qatar. Wages are good and unemployment is among the lowest in the world: the average per capita income was the equivalent of £87,000 in 2010.

The Emir has been careful to introduce some liberal reforms and there is a free press in the form of the Qatari-backed Al Jazeera television station. With its worldwide reach, Al Jazeera has been seen as instrumental in promoting the reform agenda in the Middle East and giving Qatar global clout.

It is an agenda of change that the Qataris have backed, although they are happy to have a dialogue with whoever follows, namely, the Islamist leaders who have risen in places such as Tunisia, Libya, and Egypt.

Qatar has another instrument of 'soft power' up its sleeve. Her Highness Sheikha Moza bint Nasser is also chair of the Qatar Foundation, an educational initiative which funds something called the Doha Debates.

Set up eight years ago to promote freedom of speech in Qatar, this is an old-fashioned debating society modelled on the Oxford Union version but covering the entire Middle East. It is chaired by former BBC journalist Tim Sebastian and its discussions are shown on the BBC.

Executive producer Tanya Sakzewski said: 'For many people in the region, this is the first time in their lives they've had the chance to have free speech. People have a real debate without fear of being locked up afterwards.'

Qatar paints itself as a small nation with a valuable voice that is able to provide a new perspective and thereby act as a bridge between old enemies, but not everyone is convinced.

British unions in particular have mounted campaigns against Qatar's investment in the UK, branding those within the QIA as 'secretive, playboy investors'.

'There's a huge issue at stake here,' said Justin Bowden of the GMB.

'Who is investing in UK Plc and why? Do they pay proper taxes and are they here for the long term or quick buck? We're not averse to investment but we need answers and openness.

'British workers want investment, want jobs, but we're concerned about the extent of selling off the family silver in distressed times. These are vastly powerful state companies, owned by foreign governments, and we're putting an awful lot of power in their hands.

'Britain has to ensure that it never falls out with Qatar, or one day we might wake up and find this tiny Gulf state has us at its mercy.'

And Deutsche Bank recently warned that the UK was too dependent on Qatari LNG and is vulnerable to future price rises.

According to the GMB, the Qataris are 'as secretive as the mafia'. But about some things they are entirely open: they have recently invested £1 billion in the UK gas sector and intend to pump yet more money into Britain.

For a country surrounded by regional strife, British assets will no doubt seem a good way of hedging their bets.

But the greater their investment, the greater our dependency. The greater the dependency, the greater the risks.

QATAR'S STAKE IN BRITAIN

The tiny Gulf state has snapped up a range of famous British assets, which include:

1. Harrods, the upmarket department store former owned by Mohamed al-Fayed.

2. The Shard, soon-to-be Europe's tallest building.

3. No 1 Hyde Park, the world's most expensive block of flats.

4. The London Stock Exchange, which they own a 20 per cent stake.

5. Camden Market, which they own a 20 per cent stake.

6. The Olympic Village, once the games are over.

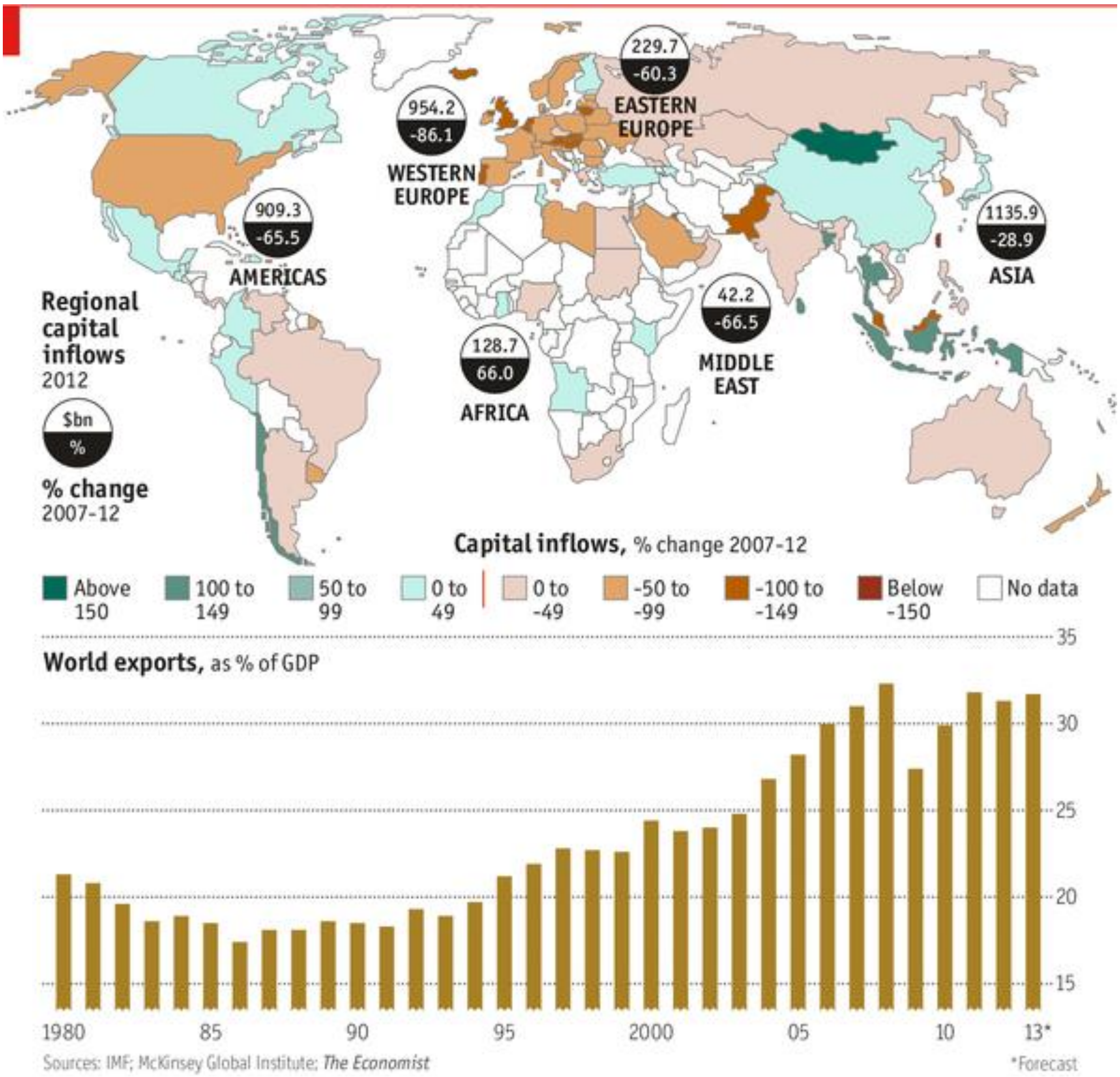
7. Sainsbury's and Barclays banks - major investors.

8. Liquefield Natural Gas, Britain's biggest supplier.

Article 14

World economy

The gated globe Oct 12th, 2013 | From the print edition



FIVE YEARS AGO, George W. Bush gathered the leaders of the largest rich and developing countries in Washington for the first summit of the G20. In the face of the worst financial crisis since the Great Depression, the leaders promised not to repeat that era's descent into economic isolationism, proclaiming their commitment to an open global economy and the rejection of protectionism.

They succeeded only in part. Although they did not retreat into the extreme protectionism of the 1930s, the world economy has certainly become less open. After two decades in which people, capital and goods were moving ever more freely across borders, walls have been going up, albeit ones with gates. Governments increasingly pick and choose whom they trade with, what sort of capital they welcome and how much freedom they allow for doing business abroad.

Virtually all countries still embrace the principles of international trade and investment. They want to enjoy the benefits of globalisation, but as much as possible they now also want to insulate themselves from its downsides, be they volatile capital flows or surging imports. Globalisation has clearly paused. A simple measure of trade intensity, world exports as a share of world GDP, rose steadily from 1986 to 2008 but has been flat since. Global capital flows, which in 2007 topped $11 trillion, amounted to barely a third of that figure last year. Cross-border direct investment is also well down on its 2007 peak.

Much of this is cyclical. The recent crises and recessions in the rich world have subdued the animal spirits that drive international investment. But much of it is a matter of deliberate policy. In finance, for instance, where the ease of cross-border lending had made it possible for places like America and some southern European countries to run up ever larger current-account deficits, banks now face growing pressure to bolster domestic lending, raise capital and ring-fence foreign units.

World leaders congratulate themselves on having avoided protectionism since the crisis, and on conventional measures they are right: according to the World Trade Organisation (WTO), explicit restrictions on imports have had hardly any impact on trade since 2008. But hidden protectionism is flourishing, often under the guise of export promotion or industrial policy. India, for example, imposes local-content requirements on government purchases of information and communications technology and solar-power equipment. Brazil, which a decade ago compelled its state-controlled oil giant, Petrobras, to buy more of its equipment from local companies, has been tightening restrictions steadily since. And both America and Europe imposed, or threatened to impose, tariffs on Chinese solar panels, alleging widespread government support. At the same time, though, Western countries themselves offer hefty subsidies for green energy at home.

Capital controls, which were long viewed as a relic of a more regulated era, have regained respectability as a tool for stemming unwelcome inflows and outflows of hot money. When Brazil imposed a tax on inflows in 2009-10, it was careful to emphasise that not all foreign investment was unwelcome. “Nobody here is rejecting people that want to invest in our ports or our roads,” says Luiz Awazu Pereira, a deputy governor at the central bank. “But if you are here just because you are running an aggressive hedge fund and noticed that our Treasuries pay 10% while US Treasuries pay zero, this is a less desirable outcome.”

The world has not given up on trade liberalisation, but it has shifted its focus from the multilateral WTO to regional and bilateral pacts. Months before Lehman Brothers failed in 2008, the WTO’s Doha trade talks collapsed in Geneva largely because India and China wanted bigger safeguards against agricultural imports than America felt able to accept. Shortly afterwards America joined talks to form what is now called the Trans-Pacific Partnership, which also includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Barack Obama has held up the TPP as the sort of agreement China should aspire to join.

The trend in foreign direct investment, too, is still towards liberalisation, but a tally by the UN Commission for Trade and Development shows that restrictions are increasing. Last December Canada allowed a Chinese state-owned enterprise to buy a Canadian oil-sands company but suggested it would be the last. “When we say that Canada is open for business, we do not mean that Canada is for sale to foreign governments,” explained Stephen Harper, the prime minister.

The flow of people between countries is also being managed more carefully than before the crisis. Borders have not been closed to immigrants, but admission criteria have been tightened. At the same time, however, many countries have made entry easier for scarce highly skilled workers and for entrepreneurs.

Mr Obama sees globalisation not as something to be stopped but to be shaped in pursuit of broader goals. He wants other countries to raise their standards of labour, environmental and intellectual-property protection so that American companies will be able to compete on a level playing field and, perhaps, pay decent middle-class wages once again. When a clothing factory collapsed in Bangladesh in April, killing more than 1,000 people, Mr Obama suspended America's preferential tariffs on many imports from Bangladesh until it improves workers' rights.

A clear pattern is beginning to emerge: more state intervention in the flow of money and goods, more regionalisation of trade as countries gravitate towards like-minded neighbours, and more friction as national self-interest wins out over international co-operation. Together, all this amounts to a new, gated kind of globalisation.

A state of imperfection

The appeal of gated globalisation is closely tied to state capitalism, which allowed China and the other big emerging markets—India, Brazil, and Russia—to come through the crisis in much better shape than the rich world. They proudly proclaimed their brand of state capitalism as superior to the "Washington consensus" of open markets and minimal government that had prevailed before 2008. But the system also covered up structural flaws that are now becoming more obvious. In China, state-owned enterprises and state-directed lending have siphoned credit from the private sector and fuelled a property bubble. In India and Brazil, inadequate investment in infrastructure has resulted in rising inflation and sharply slowing growth.

The globalisation in the West before 2008 certainly had its flaws. The belief that markets were self-regulating allowed staggering volumes of highly levered and opaque cross-border exposures to build up. When the crisis hit, first in America, then in Europe, the absence of barriers allowed it to spread instantly. Voters, who had never been keen on wide-open borders, took this badly, and support for anti-globalisation parties grew.

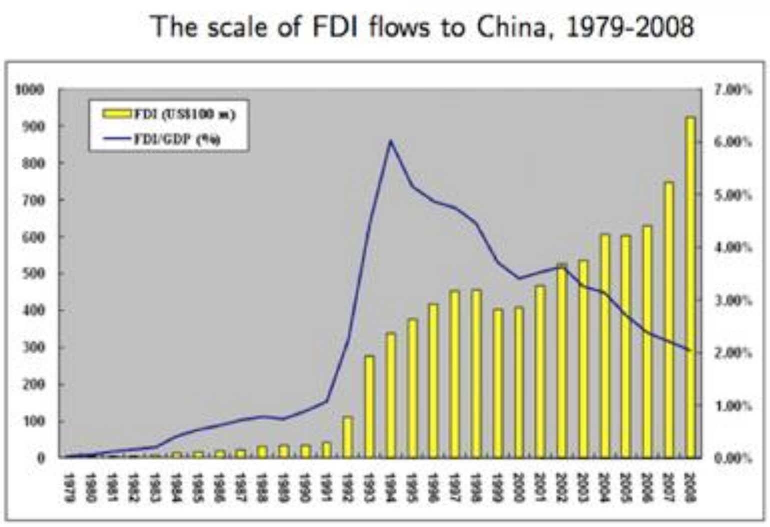
A few constraints on global finance are not necessarily a bad thing. Limiting banks' foreign-currency borrowing, as South Korea has done, makes them less likely to fail if the exchange rate falls. But gated globalisation also carries hidden costs. Policymakers routinely overestimate their ability to distinguish between good and bad capital, and between nurturing exports and innovation and rewarding entrenched interests. The opening up before the crisis had done wonders for channelling capital to the best investment opportunities, lowering prices for consumers and promoting competition. Interfering with this process reduces a country's growth potential.

Article 15

<u>China's rapid economic growth and what the future holds for China</u>

In 1949, the People's Republic of China was established and so began the era of socialism. Focus was placed on heavy industry and capital-intensive factories producing metals, machinery and chemicals (Ishikawa, 1983). The existing policies were resulting in a very poor and stagnant economy, which was being centrally controlled (Morrison, 2014). All foreign exchange was controlled by the state (Wei, 1995a). Companies and individuals were unable to import or export goods without state trade corporations intervening. Before the revolution, China relied on Pacific trade, which it then stopped during the 1950s, instead refocusing its trade to the Soviet Union (Naughton, 2007a). The Chinese economy therefore became isolated from the global economy.

In 1978, China's economy underwent a massive transition, implementing various economic reforms, which saw China moving from a controlled,planned economy to a market-oriented economy (Chow, 2004a) and rapid growth. One initiative hugely instrumental in the growth of China's economy was the open door policy, which Deng Xiaoping announced in December 1978 ('Open Door Policy', 2014a). Before the reforms, China's foreign-trade system was tightly controlled. All imports and exports were monopolised by twelve national foreign-trade companies (FTCs) (Naughton, 2007b). During the 1980s, trade reforms completely liberalised the foreign-trade system. Decision-making in exports and imports was decentralised by the government to local governments and regional FTCs (Wei, 1995b), allowing more companies to participate in foreign trade (Naughton, 2007c). Furthermore, special economic zones (SEZ) and coastal open cities (COCs) were set up, stimulating exports and attracting foreign direct investment (FDI) (Hayashi, 2003). Deng acknowledged that for China to continue growing, it required Western technology and investment, thus the open door policy provided opportunities for foreign businesses to invest and set up in China ('Open Door Policy', 2014b). China shifted from a highly structured, controlled trading system to a much more liberalised trading system, enabling China's exports to grow considerably. China therefore went from a largely closed economy whereby FDI was almost non-existent and international trade and exchange was scarce to an open economy receiving large amounts of foreign investment and playing a crucial role in global trade (Tisdell, 2009a). Figure 1 shows how since 1978, FDI has increased almost every year.

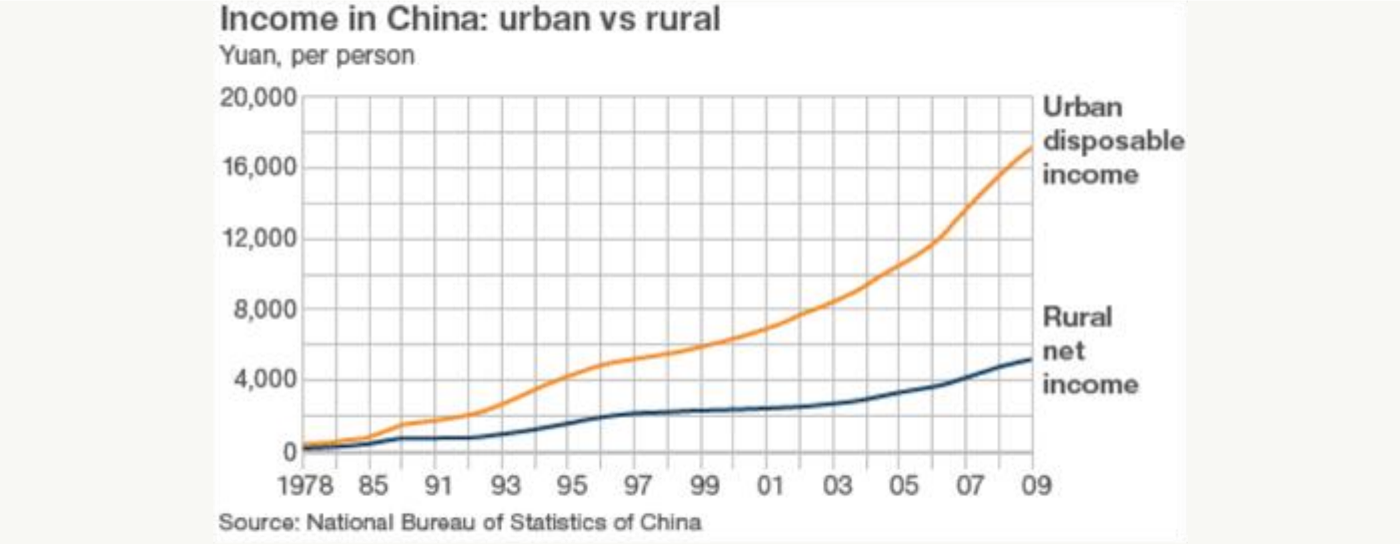


Sources: National Bureau Statistics of China, China Statistical Yearbook; Chen *et al.* (1995).

(Figure 1)

China's rapid economic growth has not been without implications. Income inequality sharply increased, particularly between urban and rural areas (Tisdell, 2009b). In 2010, rural dwellers had an annual average per capita disposable income of 5,900 yuan, compared to 19,100 yuan for urban residents. The divide between urban and rural has continued to widen since the 1978 reforms (see figure 2). Furthermore urbanisation has increased, through rural-to-urban migration whereby people relocate to cities searching for employment and a better quality of life. Between 1978 and 2004, urban dwellers within China increased from 170 million to 540 million, i.e. from 17.9% of the total population to 41.8% (Song and Ding, 2007). Before the reforms, policies and labour restrictions prevented people from freely migrating from rural to urban areas (Junor, 2014). Increasing urbanisation presents China with problems such as growing pressure on energy resources and housing.

The main impact however has been on the environment. For many years China focused solely on economic growth without considering environmental consequences. China relies heavily on coal for its primary energy generation and with a fast-growing economy and subsequent demand for energy, the country is now the highest consumer of energy (Watts, 2010). This has impacted China's air quality, causing severe pollution in some areas. Last year it was predicted that such air pollution can result in people in northern China, where pollution is more common, to live an average 5.5 years less than those in southern China (Kaiman, 2013). Pollution is still a huge problem in China and according to the Ministry of Environmental Protection, in 2012; it suffered the worst air pollution in 52 years. However, China recently announced plans to tackle pollution by "declaring war on pollution" (Branigan, 2014). One example is by closing down coal-fired furnaces, which will significantly help in improving China's environmental conditions. China is subsequently a major contributor to global warming and with it being the world's most populated country; demand on natural resources remains unsustainable.



(Figure 2)

After opening up its economy and forging connections with the rest of the world, China accelerated its growth. Today, China is the largest exporter, attracting high amounts of foreign investment and investing billions of dollars abroad itself ('China profile', 2014). In 2011, China overtook Japan to become the second-largest economy in the world (McCurry, 2011). Some predict China will soon overtake the US as the largest economy, although recently it has been said that if this happens, it will not be until around 2028 (He, 2013). China's economy, however, is beginning to slow, showing signs of stabilising, with China's Premier, Li Keqiang, recently setting the 2014 growth target at 7.5% ('China sets growth target', 2014). This illustrates how China is beginning to focus less on economic growth and more on targeting pollution and improving quality of life (World Bank, 2014a). The rapid growth in China's economy has brought several advantages. With an average 10% GDP growth a year, more than 500 million people have been removed from poverty (World Bank, 2014b). China's economic reforms also helped stimulate economic growth globally (Tisdell, 2009c). Moreover, people in China are receiving more economic freedom, with opportunities for private investment, and greater liberty in moving within China for labour (Tisdell, 2009d).

China is beginning to try and move away from economic growth from investment and exports, instead focusing on domestic consumption ('China economic growth', 2014), in order to rebalance the economy and protect it by avoiding economic crashes. There has therefore been a drive to increase consumption within China, for example by encouraging migration from rural to urban areas, as those in rural areas tend to consume less. China's economy is increasingly influential in the global economy and consequently needs to ensure it can continue to grow in the future in a sustainable manner to provide for its demanding population.

Article 16

China's Special Economic zones – Experience gained

Chinese Special Economic Zones (SEZs) vary in scope and function. Some are designated Geographical spaces where special policies and measures support specific economic functions. Others include free-trade areas, industrial parks, technical innovation parks and bonded zones that facilitate experimentation and innovation over a wide range of industries.

China's experience with SEZs has developed over time. It began in the early 1980s when market-orientated reforms were introduced in selected SEZ areas such as Shenzhen. Theses were followed in the mid-90s by the establishment of open coastal cities such as Zhangzhou, designed to stimulate economic growth by leveraging their geographical location and economic opening. Building on that experience, central and provincial authorities set up high tech development zones in the late 1980s to capitalise on global capital, technology, and talent. In the 1990s, in response to China's economic growth and changing trends, the Chinese Government created new zones such as the China-Singapore Cooperation Park and upgraded existing SEZs to take advantage of new opportunities. Since the beginning of the 21st century, a large number of regional zones have been established to stimulate and anchor regional development.

Various management models have been followed. These include a) administrative management, with managerial functions performed by government-instituted administrative bodies; b) administrative committee, with management by government appointed committees, and c) joint management by SEZ partners and government instituted administrative bodies.

SEZs have contributed significantly to China's development. They have permitted experimentation with market-orientated reforms and acted as a catalyst for efficient allocation of domestic and international resources. They have also deepened economic opening by attracting international capital, technology and technical and managerial expertise that stimulated industrial development and China's greater integration into the global economy. In recent years, national SEZs have contributed 22% of China's GDP, 45% of total foreign direct investment, and 60% of exports. SEZs are estimated to have created over 30 million jobs, increased the income of participating farmers by 30% and accelerated industrialisation, agricultural modernisation, and urbanisation.

SEZs need to adapt to changing conditions and continue to spur innovation. They face a number of challenges, which requires that they take a long-term perspective, attract and develop new industries, reduce duplication, deepen reforms and encourage local entrepreneurship.

Accurate functional positioning will allow SEZs to maximise their contribution according to their strengths and comparative advantages. In general, SEZs can pilot and test institutional innovations, while free-trade oriented zones can experiment with financial models to attract investment. Joint inter-city and port development zones can leverage resource sharing and clustering for regional development. Industrial clustering can take advantage of geographic location and resources. Experience indicates that effective strategic planning is required across a number of areas. Policies need to be transparent, targeted, consistent, actionable, and inclusive. Industrial upgrading and market expansion depend on industry and market focused planning. Planning also needs to include identification of capital investments and requirements for infrastructure and supporting services.

Chinese expertise with SEZs has indicated a number of factors that contribute to their success and effective operation. SEXs need to be linked to economic opening and capitalise on innovation. A bottom-up, problem-solving approach has to be combined with top-down governmental support. SEZs can promote industrial expansion by cultivating market leaders, supporting research and development, and building brands. They can incubate local ideas by integrating learning, innovation, and production. They can bring together resources and expertise from government, industry, and research institutions to move into more advanced value chains.

Africa can benefit from China’s experience and adapt to local circumstances. Key lessons are that good infrastructure is essential and effective organisation and management should focus on security, policy support, investment promotion, environmental governance, service oriented management, and introduction of talent. China’s experience indicates that geography, resources, market, human resources, and capital are all necessary for successful SEZs. This suggests that SEZs in African countries should be located in areas with good transport, logistics and access to resources. Additional factors for success include a developed market economy and local industry, a high concentration of talent, innovative human resource policies, and access to quality financial markets and investment facilities.

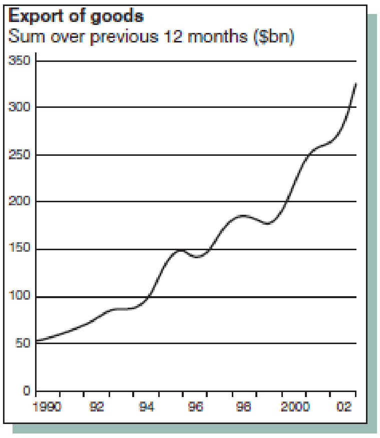
Article 17

The new workshop of the world?

The Chinese economy has attained such a size and is continuing to grow so rapidly that it is now being called the ‘new workshop of the world’, a phrase first applied to Britain during the height of its industrial revolution in the 19th century. Exports from

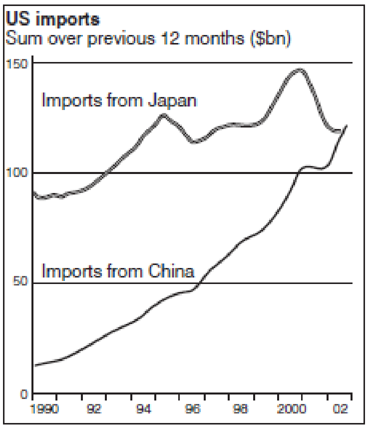
China to all other countries increased by 21% in 2002 to $322 billion, growing over sixfold from 1997 (Figure 1). Chinese consumption of raw materials such as steel and copper has now overtaken that of the US. The steel industry expects China to account for more than a quarter of global consumption of steel in 2003, to be used in construction, car manufacture, white goods, general engineering and a range of other activities. A Global Development Finance 2003 Report published by the World Bank in April 2003 stated that China is increasingly becoming the engine of the East Asian regional economy. China now exports more to the USA than Japan (Figure 2) and has also overtaken the USA as the biggest exporter to Japan. The Chinese economy grew by 8% in 2002. China makes 60% of the world’s bicycles and over half of the world’s shoes. It accounts for 20% of the world’s garment exports, with the prediction that this will rise to 50% in 2010 as quotas on imports are eliminated around the world. Already China accounts for the manufacture of half of the computers in the world. The concerns that other countries have about China’s rapid industrialisation are similar to those expressed when other economies, the UK, USA, Japan and South Korea, went through similar phases of rapid growth at various times in the past.

Figure 1: Growth in Chinese exports



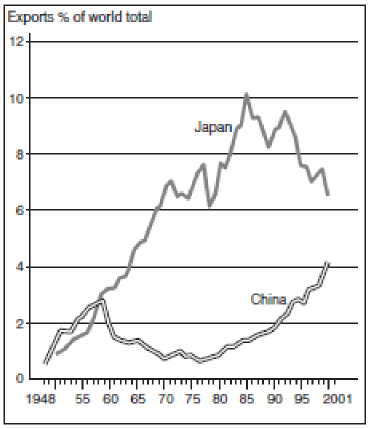
Source: *Financial Times*, 5 February 2003

Figure 2: Comparison of Chinese and Japanese exports to the US



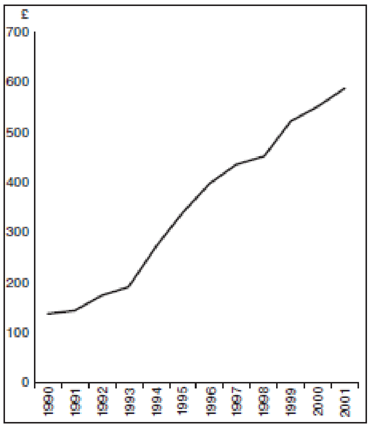
Source: *Financial Times*, 5 February 2003

Figure 3: Comparison of Chinese and Japanese exports as % of world total



Source: *Financial Times*, 5 February 2003

Figure 4: Per capita income of Chinese urban households



Source: *Business Review*

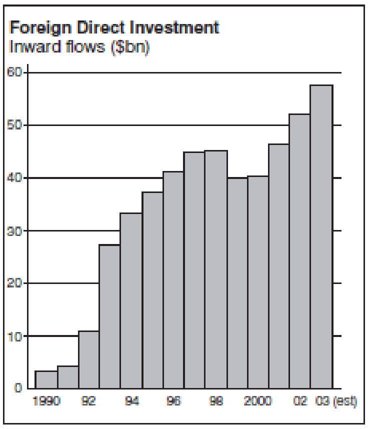
However, worries about Chinese goods swamping global markets seem to be exaggerated. China’s share of world trade is still only 4% (Figure 3) with an annual trade surplus of about $30 billion (similar to Canada’s). Although China is steadily producing more capital intensive goods, these are mainly destined for the domestic market where demand is rising rapidly. In fact China has bilateral trade deficits with most neighbouring countries including South Korea, Malaysia and Thailand. China’s average income per head is $1000 and rising. Over 300 million earn over $2000. Figure 4 shows the growth in per capita income for urban households. The National Bureau of Statistics of China predicts that China’s economy is likely to grow by at least 7% in the next 15 years.

Under the traditional calculation of GDP, China today ranks sixth in the world. But measured according to purchasing power parity (PPP), whereby the figures are adjusted to take account of price differences between countries, China ranks second in the world.

Foreign direct investment

China attracted a record $52.7 billion in foreign direct investment in 2002 (Figure 5), taking over from the USA as the world's biggest net recipient of FDI. The Chinese government expects to attract about $100 billion in FDI a year between 2006 and 2010. The major attraction to manufacturers is the cheap labour market where wages are less than 5% of those in the USA.

Figure 5: Chinese reliance on foreign investment

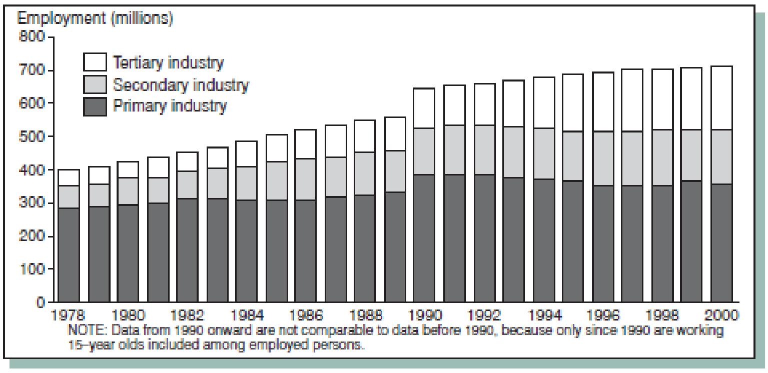


Source: *Financial Times*, 5 February 2003

The huge concentration of investment in China has pulled investment away from industrial centres in the rest of Asia and elsewhere. For example, 23,000 Japanese companies are now operating in China. To remain competitive, they have to manufacture where production costs are lowest. For example, Matsushita has invested $558 million in 31 joint ventures in China. Some Chinese companies are now buying up distressed businesses in Japan where the long-running economic slump has caused major problems. In most cases the Chinese company has relocated manufacturing to China where wages are as little as one-tenth of their Japanese equivalents.

Changing employment structure

Figure 6: Changes in Chinese employment by industrial sector, 1978–2000



Source: *China Statistical Yearbook*, 2000

Figure 6 shows how China's employment structure changed from 1978 to 2000. The secondary and tertiary sectors now make up half of all employment. The share of the primary sector fell from 71% in 1978 to 50% in 2000. During the same period the secondary sector increased from just over 17% to almost 23% while the tertiary sector rose from slightly more than 12% to almost 28%. In China, mining and quarrying, manufacturing and construction are classified as secondary industries. Normally, we would regard mining and quarrying as being in the primary sector.

China's emergence as a major industrial nation

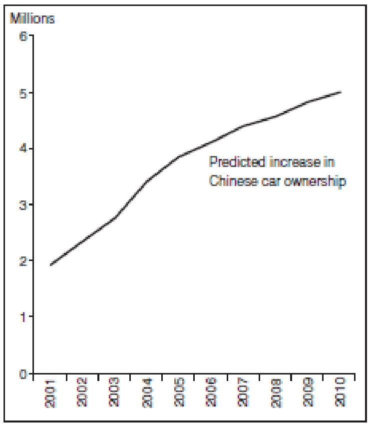
Soon after the death of Mao Tse-tung in 1976, China's economic policy changed significantly. Mao's successor, Deng Xiaoping sought to end the relative isolation of China from the world economy and to imitate the export-led success of neighbouring countries such as Japan and South Korea. Economic growth increased by an average of over 10% a year and exports (by value) by 15% a year in the 1980s and 1990s. During this 20 year period the Chinese economy grew eight times bigger and between 1990 and 1998 the number of Chinese living on less than a dollar a day fell by 150 million. Since the Chinese economy began to open up to the outside world in 1978, China's share of world trade has quadrupled.

China joins the World Trade Organisation (WTO)

The most significant recent event in the history of the WTO has been China's entry into the organisation, in October 2001. For the MEDCs in particular the main benefits of Chinese entry are:

• Its huge market potential. For example, car sales are taking off, exceeding 1 million in 2002 for the first time (Figure 7). China is now VW's biggest market outside Germany. China now imports more from the rest of Asia than does Japan. As WTO membership opens China's markets to competition, its importance as a source of demand will grow.

Figure 7: Predicted increase in Chinese car ownership



Source: *Business Review*

• That China would be bound by WTO rules on a range of issues concerning production and trade. Before WTO membership, many countries were concerned that China was 'breaking the rules' in various ways.

• Before WTO membership, TNCs were not allowed to set up wholesale, retail, distribution and after-sales networks. The changes brought about in 2001 explain why Wal-Mart, the US supermarket chain, has invested heavily in China over the last two years in copying its American model in another vast market.

The main concerns for China in the WTO are the problems caused by the new rules that China had signed up to as the country struggled to identify and specialise in fields of comparative advantage. In 1999 the World Bank estimated that up to a third of the 140 million workers employed in China's state-owned industries, many of which were considered to be very inefficient, may be surplus to requirements.

Infrastructural improvements

Such a high rate of economic growth has demanded equally rapid improvements in infrastructure. China's rail network is expanding rapidly. A $24 billion high-speed rail link between Beijing and Guangzhou is being planned which would reduce train travel time between the two cities from 23 hours to 10. A multitude of new road schemes have either been completed or are in progress. The Three Gorges Dam on the Yangtze River is the most spectacular feature of China's changing infrastructure.

Rural to urban migration

There are now about 150 million migrant workers in China. The great majority have moved from inland provinces to coastal cities. According to the *Financial Times* (6/2/03) 'the rising cost of education, healthcare and living in rural areas has created a powerful force pushing workers to the coastal factories.' In Beijing the construction industry now employs some 850,000 migrant labourers. However, during the two-week period of the Spring Festival in early February this population flow is reversed. During this period a population several times larger than the UK's leaves the cities of southern China and Shanghai and Beijing to go home to see their families. The government estimated that in 2003 there were 1.8 billion train, bus and aircraft journeys over the Spring Festival. Every year this huge movement of people proves to be a massive logistical problem for transport managers. For the rest of the year the remittances sent home by migrant workers are vital for the survival of rural communities. Migrant workers from Sichuan, one of China's most populous provinces, sent back around Rmb40 billion (£2.9 billion) in 2002. This was more than the provincial government's own fiscal revenues.

The coastal areas

The bulk of foreign investment is in China's dynamic coastal region, which includes five Special Economic Zones, 14 Open Cities, and 36 Economic and Technological Development Regions. China's economic reforms began in the coastal region. The initial opening up of the economy attracted a foundation of large overseas investors. Their presence led to a kind of 'critical mass', which has acted as a magnet for an increasing number of foreign investors. The Special Economic Zones have led the process of privatisation in China. The location factors which have attracted foreign investment to the coastal areas are as follows.

• **Favourable government policies:**

central government policies have empowered the coastal regions to attract foreign investment, import advanced technologies and participate in international trade projects.

• **Labour cost and productivity:**

labour is relatively inexpensive throughout China. Although the cost benefit is even greater in the Middle and West of China, the labour force in the coastal areas are better educated, more skilled and boast significantly higher productivity. The lack of trade unions is also a significant factor in attracting inward investment.

• **Proximity of suppliers:**

For example, the Singapore electronics manufacturer Flextronics, located in Doumen, received only 5-10% of the plant's components from local factories in 1999. Now it is between 50 and 70%. The efficiency of the supply chain now rivals the low cost of labour as the major location factor for some companies.

• **Superior infrastructure:**

All aspects of infrastructure (rail, road, air transport, telecommunications etc) are more highly developed in the coastal region, compared to the middle and west of China.

• **Geographical advantages:**

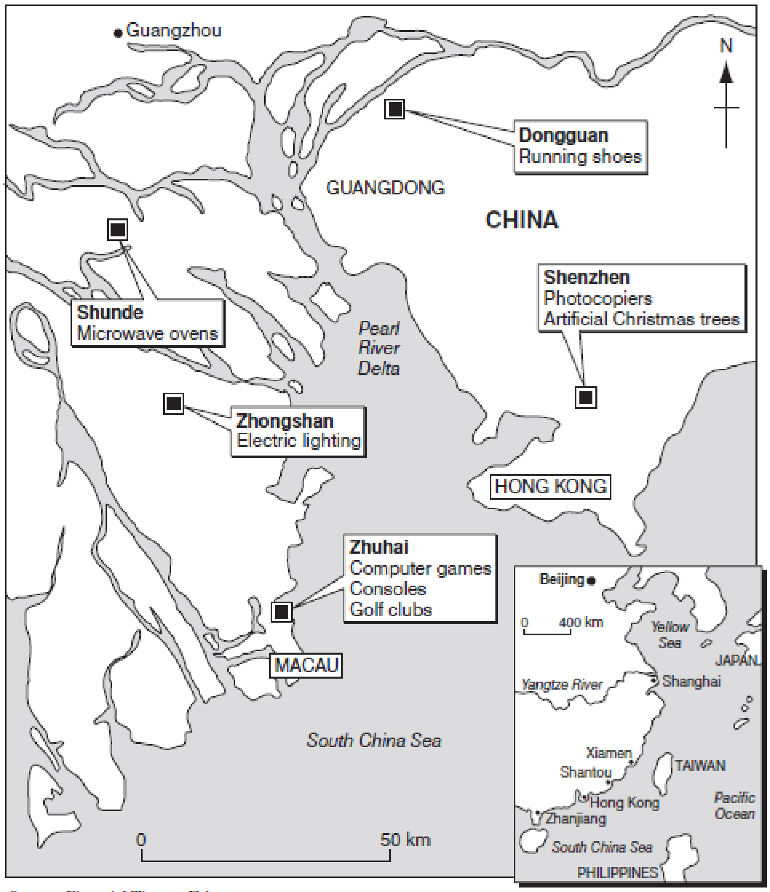
90% of China's international trade passes through its seaports. Production facilities located at or near the ports are likely to encounter fewer delivery delays and lower domestic transportation costs.

Case Study: The Pearl River Delta

The Pearl River Delta region, an area the size of Belgium in south east China (Figure 8) is the focal point of a massive wave of foreign investment into China. This is the heart of China's new industrial revolution. In early 2003 it was estimated that the region was attracting $1 billion investment and producing $10 billion worth of exports a month in one of the fastest bursts of economic development in history. The Pearl River drains into the South China Sea. Hong Kong is located at the eastern entrance to the delta, with Macau situated at the western entrance. Within the region the main centres of industrial expansion are: Shunde, Shenzhen, Dongguan, Zhuhai, Zhongshan and Guangzhou. The region's manufacturing industries already employ 30 million people, but this will undoubtedly increase in the future.

The Pearl River Delta rivals the Yangtze River Delta anchored on Shanghai as the major economic region in the country. Home to less than 3% of China's population, it contributes almost 7% to its GDP. In addition to the location factors cited above, proximity to Hong Kong and the Cantonese work ethic, that was so important in the rapid development of Hong Kong, has also been very significant. Initial foreign direct investment came from Hong Kong, which moved 70% of its industrial capacity to the region in less than a decade, and then from Taiwan. Since the mid-1990s, large volumes of FDI have also come from Japan, the USA, and other countries. The Pou Chen shoe company moved from Taiwan to the Chinese mainland to significantly reduce its costs. Its plants in Zhuhai and Dongguan employ 110,000 people, making 100 million pairs of shoes a year for Adidas, Nike, Timberland, Reebok, Puma and other well-known brands. These branded shoes sell for five times their production costs in overseas markets. Pou Chen workers receive about $100 dollars a month, or 36 cents an hour for up to 69 hours a week with many sleeping in dormitories for migrant workers where strict curfews apply. Apart from Pou Chen there are more than 800 other shoemakers in the Pearl River Delta. Pou Chen and other shoe makers are beginning to experience higher labour turnover as other industries attract workers away with higher wages. The result is that Pou Chen is opening a factory further inland where labour is more plentiful. The conditions in foreign-owned and foreign-affiliated factories have improved considerably in recent years and are better than many people in the West believe as TNCs have become more and more aware of the potential damage of bad publicity to their corporate images. Although early investment in the region focused mainly on routine products, more and more foreign companies are now manufacturing higher level products in the region. For example, the Japanese company Ricoh, which makes most of its photocopiers in Shenzhen, now produces models in China months after they are first developed in Japan. The three main concerns about the future prosperity of the Pearl River Delta are:

Figure 8: The Pearl River Delta



Source: *Financial Times*, 4 February 2003

• Increasing environmental pollution, particularly surface water and air quality - the entire delta is heavily polluted, with the worst problems around Guangzhou.

• Suburban sprawl – the competition between different urban areas for industrial investment and real estate development has been so intense that there has been little concern for environmental impact and the loss of agricultural land.

• The need for more coordinated planning between different municipal governments – current duplications of infrastructure and services are failing to take advantages of economies of scale and are creating huge inefficiencies.

Economic Hotspots in the Pearl River Delta

Shunde: the largest centre for the production of microwave ovens in the world. 40% of global production comes from just one huge factory (Galanz) in Shunde. Galanz exported 70% of the 15 million microwave ovens it made in 2002.

Shenzhen: the special economic zone estimates that it produces 70% of the world's photocopiers and 80% of its artificial Christmas trees. In 2002, the port of Shenzhen overtook both Rotterdam and Los Angeles to become the world's sixth largest container terminal. Shenzhen's huge shopping malls attract large numbers of wealthy residents from Hong Kong. The city attracts huge corporate buyers too. It is the global purchasing centre for Kingfisher and Wal-Mart, which together sourced $10 billion of goods from China in 2002. In 2002 it was announced that seven new towns, each capable of supporting 500,000 people, are to be built outside Shenzhen's Special Economic Zone in the next decade.

Dongguan: specialises in running shoes with 80,000 people employed in a single factory. The population of migrant workers is higher here than in any other Chinese city.

Zhongshan: the major centre of the electric lighting industry in the world.

Zhuhai: a major manufacturer of computer games, consoles and golf clubs. Land is being reclaimed from the South China Sea to facilitate further industrial expansion.

Guangzhou: the site of a large export-only Honda car plant. Nearly 70 of the top 500 transnational corporations are represented in the Guangzhou Development Zone. Industries include photoelectron, biology and pharmaceuticals, specialist steel, cars, food, beverages, chemicals, electronics, electrical appliances. The Guangzhou metropolitan region's population of 14.4 million is the second largest after Shanghai.

Article 18

Infrastructure

Aerotropolitan ambitions

China’s frenzied building of airports includes work on city-sized projects

Mar 14th 2015 | ZHENGZHOU | From the print edition

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POLITICIANS in London who have been debating for years over whether to approve the building of a third runway at Heathrow Airport might find a visit to Zhengzhou—an inland provincial capital little known outside China—an eye-opening experience. Some 20,000 workers are labouring around the clock to build a second terminal and runway for the city’s airport. They are due to begin test operations by December, just three years after ground was broken. By 2030, officials expect, the two terminals and, by then, five runways will handle 70m passengers yearly—about the same as Heathrow now—and 5m tonnes of cargo, more than three times as much as Heathrow last year.

But the ambitions of Zhengzhou airport (pictured) are far bigger than these numbers suggest. It aspires to be the centre of an “aerotropolis”, a city nearly seven times the size of Manhattan with the airport not a noisy intrusion on its edge but built into its very heart. Its perimeter will encompass logistics facilities, R&D centres, exhibition halls and factories that will link central China to the rest of the global economy. It will include homes and amenities for 2.6m people by 2025, about half as many as live in Zhengzhou’s main urban area today. Heathrow struggles to expand because of Londoners’ qualms, but China’s urban planners are not bothered by grumbling; big building projects rarely involve much consulting of the public.

Aerotropolitan ambitions

The idea of airport-centred cities is not a Chinese one. John Kasarda of the University of North Carolina helped to promote it in a book he co-wrote, “Aerotropolis: The Way We’ll Live Next”, which was published in 2011. He is an adviser to Zhengzhou Airport Economic Zone (ZAEZ), as the aerotropolis is called. China, however, is well-placed to turn Mr

Kasarda's etymological mishmash into reality. The Chinese see airports as "competitive assets", he says, not "nuisances and environmental threats"—although many cities, inspired by another American-invented term, insist they want to turn themselves into green "eco-cities". New urban centres are being built on greenfield sites across the country. Some are being developed in such disregard of demand that they are becoming eerily empty "ghost towns". But they are giving planners ample opportunity to build airports alongside new cities, instead of as afterthoughts.

Economist.com

Construction of airports is proceeding at a blistering pace. The government's plan for 2011-15 called for 82 new airports to be built during this period. In the event, more than 100 have sprung up. Officials are fond of what they call "airport economics", by which they mean the use of airport-building to boost local economies.

Only in a handful of cases do overseers of these projects explicitly say that they want to build aerotropolises. One example is in the southern outskirts of Beijing, centred on a village called Nangezhuang, where a ground-breaking ceremony was held on December 26th. Little activity is visible: a few pieces of construction equipment sat idle one recent afternoon at the edge of a sorghum field as herders walked their sheep along a nearby dirt road. But by 2019 the area is due to be turned into one of the world's largest airports, at a cost of 80 billion yuan ($13 billion). As much as 80 billion yuan more will reportedly be spent turning the surrounding area into an economic and industrial hub.

Some wonder whether all this is necessary. Wang Tao of the Carnegie-Tsinghua Centre for Global Policy, a think-tank in Beijing, calls the airport-construction frenzy "misguided". He believes many of the city's building big airports do not need them, thanks to a rapid expansion of the country's high-speed rail network in recent years (see map). Local officials, Mr Wang says, are after political prestige and a quick boost to local GDP; they are happy to leave their successors to grapple with the debts. Many new airports operate at a loss. Mr Kasarda, however, defends the Zhengzhou project. It is misguided, he says, to assess an airport's value solely by its operational profitability; its role as an economic driver also needs to be taken into account. "We are putting the aerotropolis theory into practice," says Zhang Yanming, ZAEZ's Communist Party chief.

Zhengzhou has a long history as a trading and transport hub, well-connected to China's largest population centres. It also has an abundant supply of labour (it is the capital of Henan province, one of China's most populous, with more than 100m people). The ZAEZ allows duty-free import and re-export of goods and components. Mr Zhang says this has attracted more than a dozen makers of mobile phones, including Foxconn, a Taiwanese-owned firm best known for producing Apple iPhones. The Foxconn factory employs 200,000 people year-round, and 300,000 at times of peak production. Three-quarters of the iPhones made globally in the past three years came from ZAEZ, Mr Zhang says. Such small, high value-added, products benefit greatly from ready access to airports.

Beijing’s aerotropolis also has built-in advantages, not least strong support from the central government. Mr Kasarda acknowledges that his concept cannot work everywhere, especially in many of China’s smaller cities. But he remains excited by the many suitable candidates in a country that is willing—and more able than most— to give it a try. “They can really design not just an airport, but an aerotropolis from scratch,” he enthuses. It remains to be seen how enthusiastic residents will be about the jets roaring over them.

Article 19

China in Africa - Evaluating Benefits and Costs for Africa

Partly because of persistent trade surpluses with many other parts of the world, China has accumulated foreign-exchange reserves in excess of $3 trillion. These surpluses allow for huge levels of overseas direct investment – much of the current focus is on China's investments in many African and Latin American countries. The media often portray such investment in highly simplistic terms – accusing the Chinese of land-grabbing, resource-snatching, and neo-colonialism. The reality is much more complex.

We have seen large Chinese investments in Africa and hundreds of thousands of Chinese are now living and working in Africa – this is now major source of remittance income back to domestic Chinese economy. In recent years China has given more loans to poor countries than the World Bank. In African countries such as Nigeria and Zambia, amounts from China of over US$100 million per year have been the norm over the past few years. In Zambia, for instance, this has represented 1–1½ percent of GDP."

Benefits of Chinese FDI for Africa

- FDI has boosted growth – with recent growth rates in Sub-Saharan Africa of more than 8% - substantial progress has been made in reducing extreme poverty

- FDI has accelerated investment in new infrastructure. E.g. the Addis Ababa – Djibouti road; provides coastal access for land-locked Ethiopia.

- Other projects include dams and airports, mines and wind farms providing opportunities for African nations to grow capacity in renewable energy.

- Africa is endowed with significant natural advantages – it is the best continent for solar/bio-fuel. Africa cannot wait 5-10 years for these technologies to improve: energy investment is needed now and FDI provides the key to achieving this

- Imported cheaper goods from China raises real incomes for an emerging African middle class

- Investment is linked to better training for local workers, an improvement in human capital

- Chinese investment in fertile but underdeveloped farmland in Africa will raise farm productivity and incomes whilst helping to keep down world food prices – benefitting millions of the poorest people

- Open bidding for investment contracts is an opportunity for African companies to win new business

- China historically has operated in a self-interested way, not expansionary/colonial. For FDI to work in the long run, the benefits have to be mutual i.e. similar to the gains from overseas trade

- FDI from China to Africa is not that large - only 5% of Africa inwards FDI actually comes from China; and only 3% of Chinese investment is to Africa

- Many African governments prefer to borrow from China rather than depend on conditional lending by the World Bank and the IMF – e.g. loans from China's Exim Bank to Africa in 2011 were double that of the World Bank, cementing a trend which started around 2005.

Costs / Risks of Chinese FDI for Africa

- Inward migration of Chinese workers has limited employment-creation effects for African nations

- There are fears that Chinese FDI will accelerate the process of natural resource depletion for African countries relying heavily on these resources as a source of income and wealth.

- Some economists argue that Chinese companies have set up in Africa as a route to get their products into the USA – thereby avoiding US tariffs and other import controls on Chinese manufactured products

- Many African countries have a limited domestic manufacturing base unable to compete effectively with the arrival of Chinese competition benefitting from economies of scale

- Fears of a loss of control over economies, remittance of profits and wages back to China and the risk of foreign takeovers

- It was estimated in 2011 found that over 1 million Chinese migrants were living and working in Africa, often connected to Chinese FDI projects. The Chinese Diaspora might be undermining entrepreneurship in many local communities in some African countries

- Fears that the balance of economic power is firmly tilted in favour of the Chinese who can negotiate favourable terms for any investment projects.

- Fears about weak social and environmental responsibility from Chinese investors

Article 20

Globalisation in the UK

Just as important to the globalisation process is the willingness of individual national governments to promote international strategies for growth. In the 1980s, the Conservative government, led by Margaret Thatcher, was the first to embrace globalisation strategies fully. Some industries were left to close if their profitability depended on government subsidies, and the government also refused to artificially support industries facing competition from cheaper overseas products (e.g. the coal-mining industry, which was decimated by cheap foreign coal imports during the 1980s and 1990s).

UK policies in favour of globalisation:

Free market liberalisation – Also known as neoliberalism, this governance model is associated with the policies of US President Ronald Reagan and Margaret Thatcher's UK government during the 1980s. Essentially, they followed two simple beliefs. Firstly, government intervention in markets impedes economic development. Secondly, as overall wealth increases, trickle-down will take place from the richest members of society to the poorest. In practice, this meant restrictions being lifted on the way companies and banks operated. The deregulation of the City of London in 1986 removed large amounts of 'red tape' and paved the way for London to become the world's leading global hub for financial services and the home of many super-wealthy 'non-dom' billionaires.

Privatisation – Successive UK governments have led the way in allowing foreign investors to gain a stake in privatised national services and infrastructure. Until the 1980s, important assets, such as the railways and energy supplies, were owned by the state. However, running these services often proved costly: they were sold to private investors in order to reduce government spending and to raise money. Over time, ownership of many assets has passed overseas. For instance, the French company Keolis owns a large state in southern England's railway network and the EDF energy company is owned by Électricité de France. Since the global financial crisis, the UK government has approached Chinese and Middle Eastern sovereign wealth funds (SWFs) to help fund new infrastructure projects.

Encouraging business start-ups – Methods range from low business taxes to change in the law allowing both local and foreign-owned businesses to make more profit. When Sunday trading was introduced in 1994, the UK became a more attractive market for foreign retailers, from Burger King to Disney Store.

Article 21

Geo Factsheet – Measuring Globalisation

Globalisation

The concept of globalisation developed in the 1960s after the Canadian academic Marshall McLuhan used the term global village to describe the breakdown of spatial barriers around the world. Globalisation refers to a range of processes and impacts that occur at a global scale, usually economic systems, but it can include physical systems (global warming) and socio-cultural systems (fashion, music, film industry).

Forms of globalisation

There are three main forms of globalisation:

1 economic – largely caused by the growth of MNCs/TNCs

2 cultural – the impact of western culture, art, media, sport and leisure pursuits on the world

3 political – the growth of western democracies and their influence on poor countries, and the decline of centralised economies.

McLuhan argued that the similarities between places were greater than the differences between them, and that much of the world had been caught up in the same economic, social and cultural processes. He suggested that economic activities operated at a global scale and that other scales were becoming less important and that this leads to an increasingly interconnected world.

Measuring global interactions

There are many ways of measuring globalisation and this Factsheet looks at two different globalisation indexes and then looks at the concept of interconnectivity as demonstrated by internet connections and landlines.

1. Globalisation Index

The Globalisation Index tracks and assesses changes in four key components of global integration (Fig. 1). The 72 countries ranked in the 2007 globalisation index account for 97% of the world's GDP and 88% of the world's population. Major regions of the world, including developed and developing countries, are covered to provide a comprehensive and comparative view of global integration. The information largely comes from the Kearney/Foreign Policy Magazine Index.

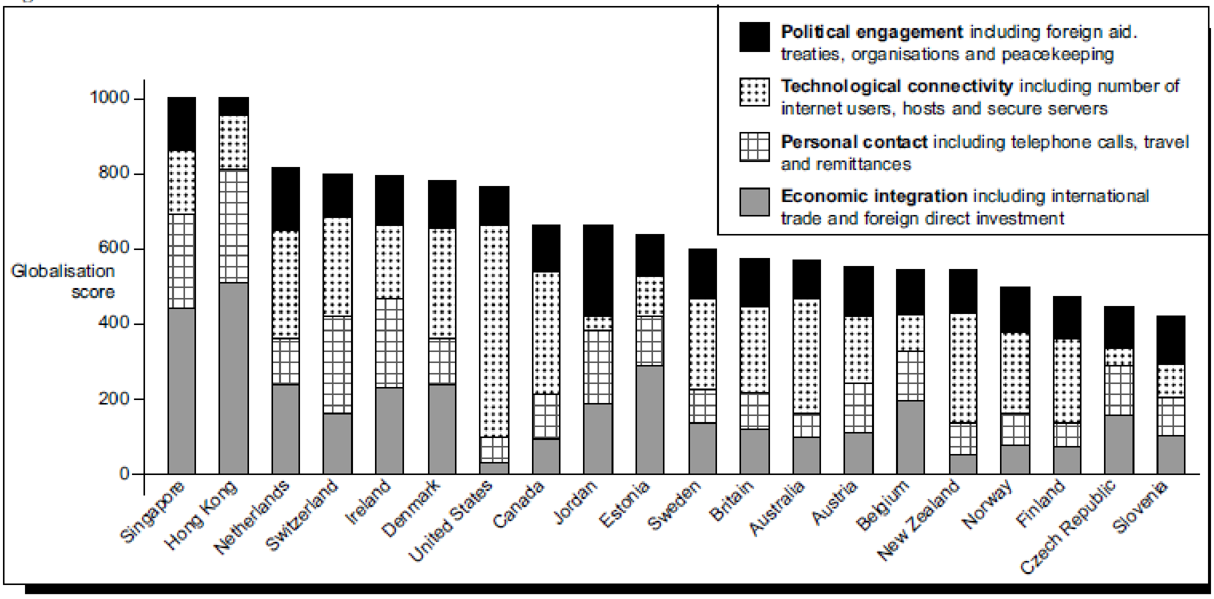
• Economic integration combines data on trade and foreign direct investment (FDI) inflows and outflows, international travel and tourism.

• Personal contact includes international telephone calls, and cross border remittances.

• Technological connectivity counts the number of internet users and internet hosts.

• Political engagement includes each country's memberships in a variety of representative international organisations.

Fig. 1 Globalisation Index



Methodology

The resulting data for each given variable are then "normalised" through a process that assigns the value of 1 to the highest data, with all other data points valued as fractions of 1. The base year (1998 in this case) is assigned a value of 100. The given variable's scale factor for each subsequent year is the percentage growth or decline in the GDP – or population-weighted score of the highest data point, relative to 100. Globalisation index scores for every country and year are derived by summing all the indicator scores. In 2007 Hong Kong, Jordan, and Estonia debuted among the top 10 most globalised nations in their first year on the Globalisation Index. Singapore was ranked first for the third consecutive year. However, Hong Kong came very close behind. The Netherlands was third, followed by Switzerland and Ireland. The USA dropped to seventh overall, despite its continued strength in the index's technology score. Jordan and Estonia ranked ninth and tenth, respectively (Fig. 2).

The index measures 12 variables grouped into four categories: economic integration, personal contact, technological connectivity, and political engagement.

• Ranked second overall, Hong Kong ranked first in both the economic and personal contact categories of the index. Hong Kong's ties with China also helped as China was responsible for a large and increasing share of the special administrative region's tourist visits, direct investment, and trade.

• Jordan debuted at number nine after finishing in the top 10 for the economic, social, and political components of the index. Jordan has one of the highest levels of peacekeeping troop contributions of all U.N. member states.

• Belgium, another first-year index participant, debuted at 15 overall. The country scored in the top 20 in both the economic and social indexes.

• Estonia joined the index at number 10 due to its economy's reliance on trade and investment, as well as openness to international tourists and business travellers. It received the third-highest economic score after Hong Kong and Singapore.

• The USA dropped to seventh place in the 2007 rankings, finishing second-to-last (just above Algeria) in economic measures as overall trade grew only modestly and inward foreign direct investment shrank.

• Vietnam ranked 10th in terms of trade, demonstrating its recent progress toward economic liberalisation. Export-driven sectors such as textiles and garments helped the economy grow and further integrated Vietnam into global supply chains.

• China fell 15 places. The country's decline is in part a result of lower trade growth compared to the previous year-possibly as the country shifts its emphasis to domestic demand-led growth over export-led growth-and a decline in the political index due to smaller increases in contributions to U.N. peacekeeping operations. However, its position is likely to increase when the 2008 figures are taken into account – it saw a huge increase in tourism due to the Beijing Olympics.

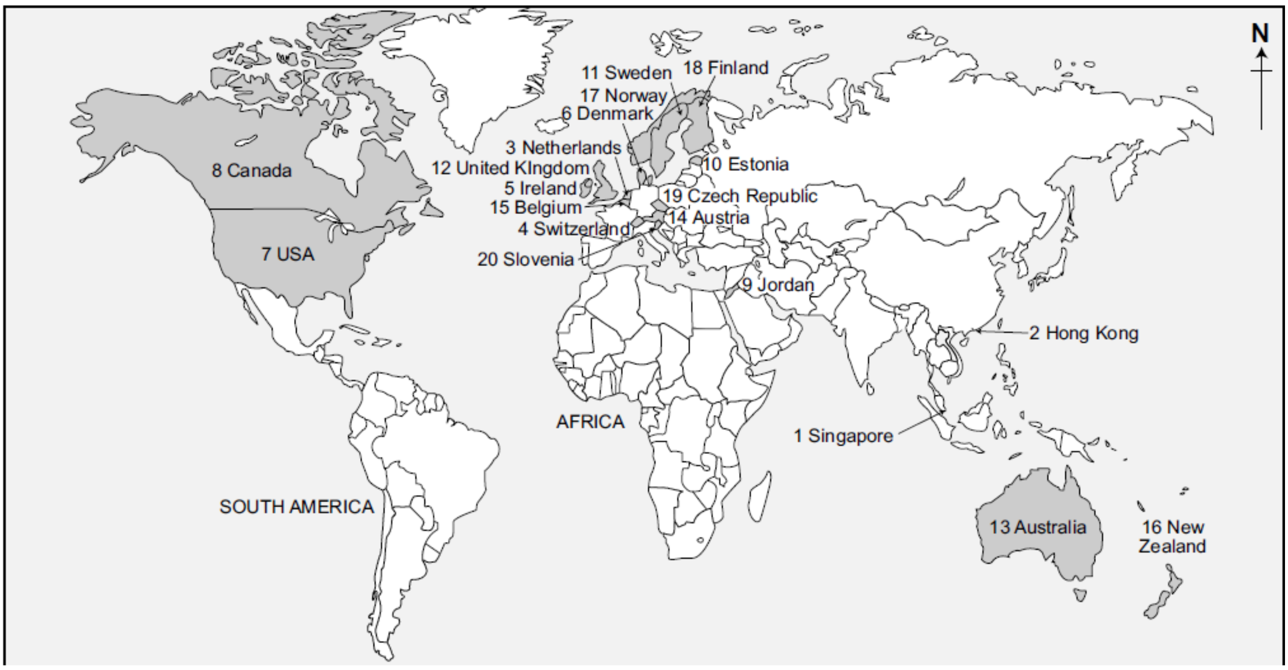
• India's export of services and its total trade both rose by more than a third, but the country still finished near the bottom of the rankings at 71 overall. In many respects the country is still very poor – 70% of its population lives in rural areas. Despite a doubling of Internet users in 2005, only 5% of India's population had access to the Internet and less than half of its population was attached to the power grid. In addition to the rankings, the 2007 index also explores the relationships between a country's global integration and its size, Web traffic, and urban growth. The results show that:

• Globalisation is a much larger imperative for smaller countries with small domestic markets and limited natural resources. Seven of the top 10 countries in the index have populations fewer than 8 million. However, total trade as a percentage of gross domestic product for countries such as Ireland and Singapore is more than twice that of economic heavyweights China and India.

• More globalised countries have more international Internet bandwidth. The bandwidth of the United States, for example, exceeds that of other countries so much that most of the e-mail traffic flowing between Latin America and Europe passes through the USA.

• Less globalised countries tend to have faster-growing cities. Low-ranking countries such as Nigeria, Bangladesh, and Indonesia have urban growth rates much higher than countries that performed well in the index.

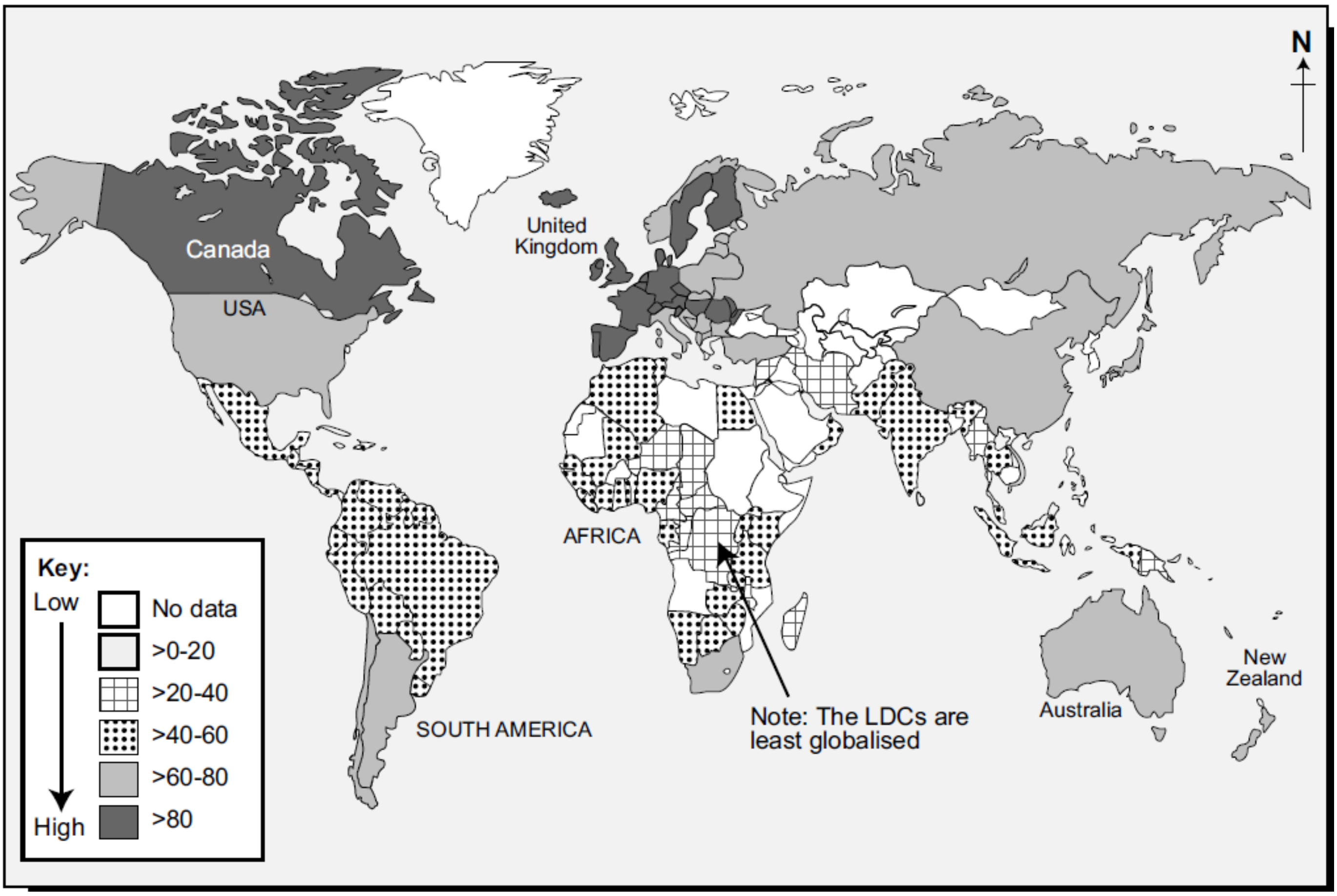
Fig. 2 Top 20 most globalised countries 2007.



2. The KOF Index of Globalisation

The KOF index of globalisation was introduced in 2002 and covers the economic, social and political dimensions of globalisation. KOF defines globalisation as: 'the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods (Fig. 3).

Fig. 3 The 2005 KOF Index.



Globalisation is conceptualised as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence." More specifically, the three dimensions of the KOF index are defined as:

• economic globalisation, characterised as long-distance flows of goods, capital and services, as well as information and perceptions that accompany market exchanges

• political globalisation, characterised by a diffusion of government policies

• social globalisation, expressed as the spread of ideas, information, images and people. In addition to the indices measuring these dimensions, KOF calculates an overall index of globalisation and sub-indices referring to actual economic flows, economic restrictions, data on information flows, data on personal contact and data on cultural proximity. The 2008 index introduced an updated version of the original index, employing more recent data than had been available previously.

• Economic globalisation Broadly speaking, economic globalisation has two dimensions. First, actual economic flows, which are usually taken to be measures of globalisation; and, second, restrictions to trade and capital.

• Political globalisation Political globalisation uses the number of embassies and high commissions in a country, the number of international organisations to which the country is a member and the number of UN peace missions a country has participated in.

• Social globalisation The KOF index classifies social globalisation in three categories. The first covers personal contacts, the second includes data on information flows and the third measures cultural proximity.

• Personal contacts includes international telecom traffic (outgoing traffic in minutes per subscriber) and the degree of tourism (incoming and outgoing) a country's population is exposed to. Government and workers' transfers received and paid (as a percentage of GDP) measure whether and to what extent countries interact.

• Information flows include the number of internet users, cable television subscribers, number of radios (all per 1000 people), and international newspapers traded (as a percentage of GDP).

• Cultural proximity is arguably the dimension of globalisation most difficult to grasp. According to one geographer, cultural globalisation mostly refers to the domination of US cultural products. KOF includes the number of McDonald's restaurants located in a country. In a similar vein, it also uses the number of Ikea stores per country.

3. Global internet use

The Internet is the fastest growing tool of communications ever. Radio took 38 years to reach its first 50 million users; television took 13 years, and the Internet just 4 years. The global internet map (Fig. 4) is a striking image of how uneven development is. The bulk of internet traffic is between and within North America, Western Europe and, to a limited extent, East Asia. In Asia, Japan accounts for the major share of internet traffic. The amount of traffic to Africa and South America is very small, as would appear to be the case with Russia.

The digital divide refers to the inequalities in opportunities between individuals, households, businesses, nations to access ICT. The digital divide also occurs between urban and rural areas, and between different regions of a country. For example:

• over 75% of internet users come from rich countries which account for just 14% of the world's population

• in Thailand 90% of Internet users live in urban areas

• in Chile 74% of Internet Users are under 35 years

• in Ethiopia 86% of Internet users are male

• in the UK 30% of users have salaries of over $120,000

• in the UK over 50% of users have degrees.

Instead of reducing inequalities between people the digital divide may well have reinforced them. There is a widening gap between rich and poor countries. Within rich countries, such as the USA, Internet users are more likely to be white, middle class and male. There are many people that do not have access to ICT and they cannot benefit from the knowledge-based economy. To date there has been little action from rich countries to ensure that the benefits of ICT are extended top people in poorer countries, regions and areas.

Case Study: Contrasting Internet use in Iceland and India

The number of Internet users in India has reached 42 million. Of these, the number of 'active users' has risen to over 21 million. India's population is over 1,130,000,000 so only 3.7% of the population has access to the Internet. 'Active Users' define users who have used the Internet at least once in the previous 30 days. Young people are the main drivers of Internet usage in India. College students and those below the age of 35 are the biggest segment on the Internet. Both these segments have the highest proportion of conversion of 'Ever' users to 'Active' users of Internet. Besides the youth, small cities and towns are further fuelling the growth. As per the survey, smaller metros and towns are increasingly embracing the Internet evolution and are pushing growth from below. The reasons for the low uptake of ICT in India are simple – poverty is the main one. People cannot afford the luxury of computers. In addition, not all areas have electricity. Rural areas and shanty towns in particular have limited access to electricity. Third, the distances in India are so vast that trying to connect all areas to the web is almost impossible as well as vastly expensive. Moreover, India has other issues to deal with – housing, health, food supply, water supply – access to the Internet has much to compete with. In contrast, in Iceland some 258,000 people out of a population of 299,076 are internet users. That is a staggering 86.3% of the population. Unlike India, Iceland is a rich country and a sparsely populated one. Almost half of the country's population live in the Reykjavik region. Being able to communicate by ICT is extremely useful in a country where the road network is limited and travel in winter is difficult.

Fig. 4 World internet users by world regions, 2009.

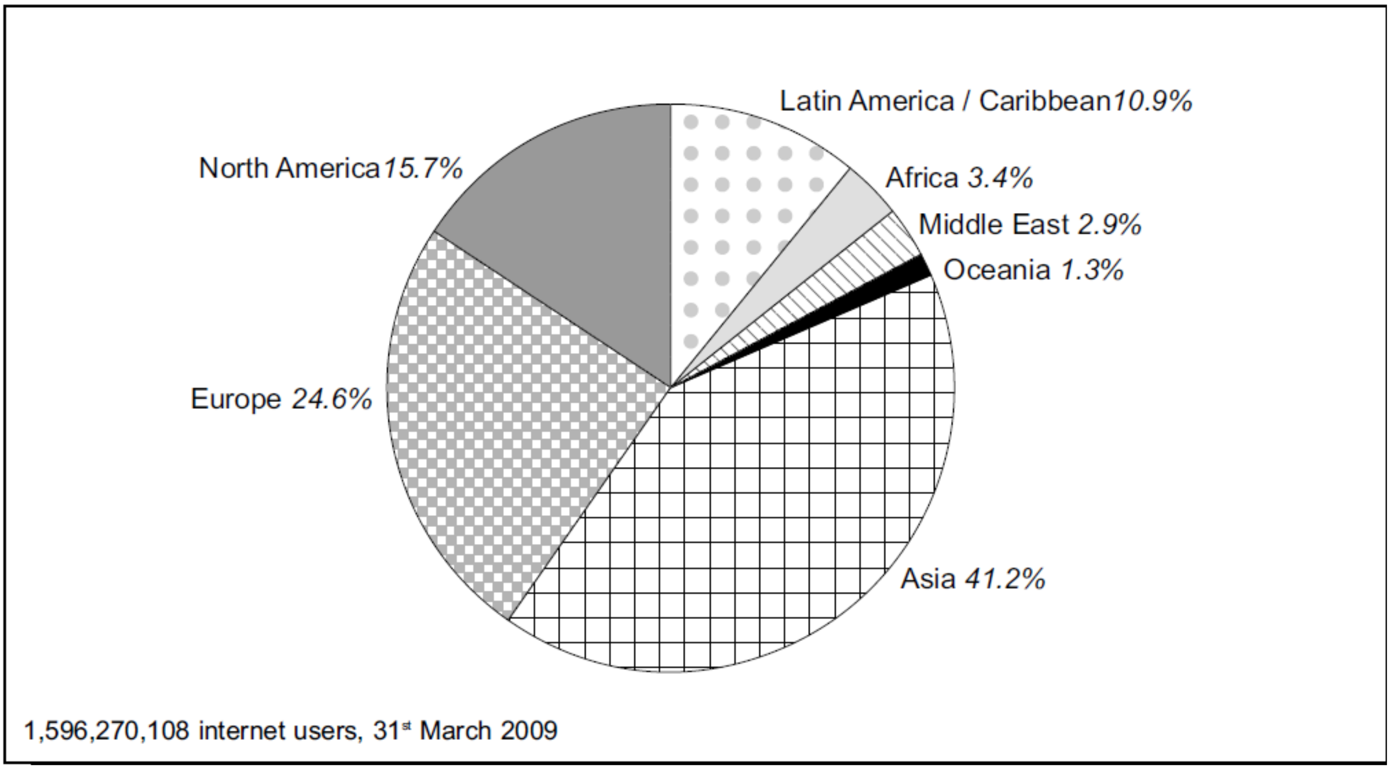
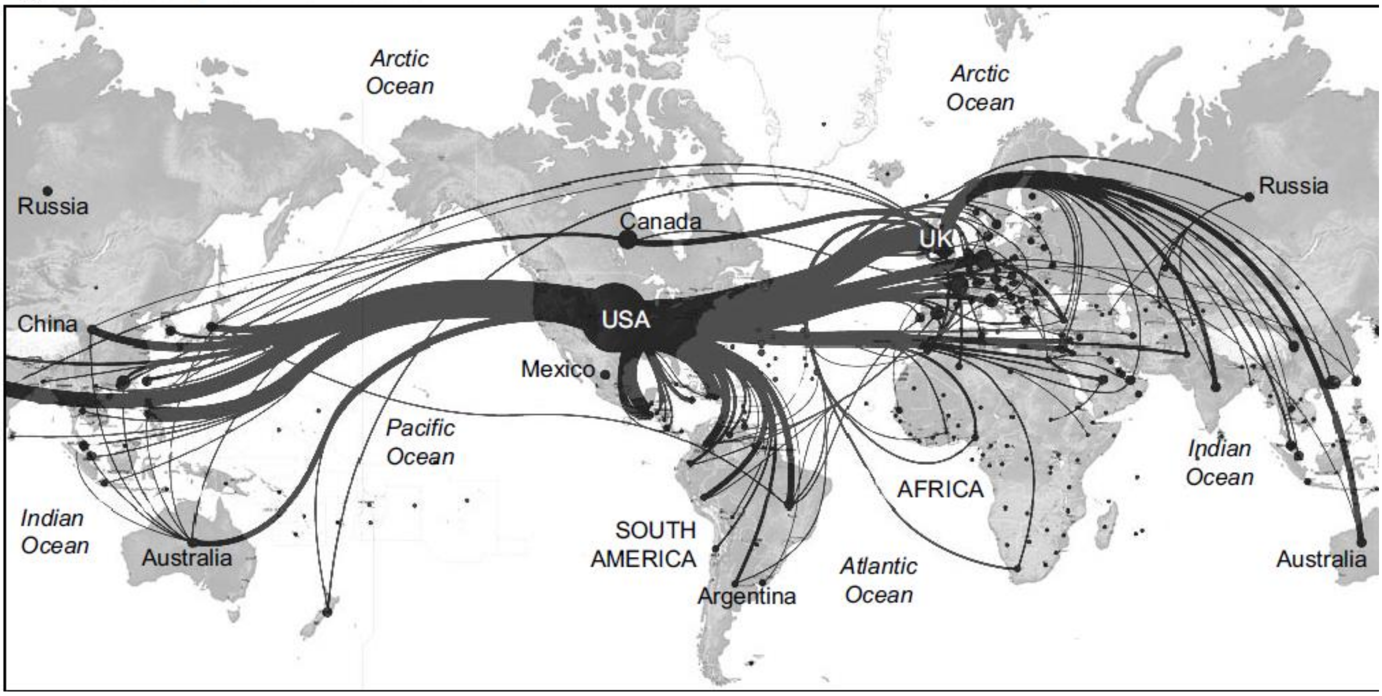


Fig. 5 Global telephone landline calls.



4. Geographical variations in landlines

Fig. 5 shows the annual flow of inter-continental calls by fixed landline telephones (not cell phones) in 2007. Clearly the greatest volume of traffic is between North America and Europe followed by North America and South East Asia. There also large flows between North America and the Caribbean and Latin America. There are relatively few flows between Africa and the other continents. A number of reasons can help explain these patterns

• population size – countries with small populations, such as Greenland, are likely to generate a limited number of calls.

• population density – within the USA, for example, there is a small flow to and from Alaska but a very large flow to and from north-east USA.

• wealth – countries that are wealthy, such as Japan and the USA can afford more phones compared with poorer countries in Africa.

• trading partners – countries within a trading bloc, such as the EU, are likely to generate large volumes of calls.

• TNC or MNC activities – companies which have offices and factories in different countries are likely to create large volumes of calls between those countries.

• migration – there is likely to be a high volume of calls between the area a migrant moves to and their home country – however, the origin may be relatively poor and have relatively few phones.

• colonial history – it is likely that there will be political and historic ties between a former colonial power and its former colonies – the UK and the British Empire is a good example.

• language – it is likely that the volume of calls will be greater among countries that share the same language.

Conclusion

There are many aspects to globalisation. The most obvious is economic (e.g. trade) but increasingly social, cultural, and political aspects are being seen as important too. It would appear that globalisation may have increased inequalities between the switched on and switched off. This appears to be the case for internet use and use of phones, for example. Also, there appears to be a difference in the importance of globalisation with the size and type of country.

Globalisation affects all countries and all peoples – but how it affects them

will differ from country to country, and within countries. Three different

ways are shown of measuring globalisation giving three different results.

Article 22

Case Study: Switched Off Africa

Switched on and Switched Off.

The world is split into two halves, the Brant line (the north south divide), the core and the periphery. The core or 'the north' is the MEDCs, the rich, developed countries. Then the is the south the 'periphery' the LDCs the least economically developed countries, and often the countries the core exploits.

Countries that are economically developed and have global influence are often called switched on.

Those that aren't switched off. Africa particularly sub Saharan Africa is seen as switched off.

How do we decide what is switched on and switched off?

One way of categorising countries is a HDI score. This is the Human Development Index

It takes into account many variables and produces a number, 1 being the highest of Human Development. Some of the Variables include:

- Gross National Product Per Capita - The total amount of money earned by the country per year. Divided by the amount of people to produce a theoretical 'salary' per person in the country per year. This however not show inequalities within the country.
- Birth Rate - The number of births per 1000 people per year.
- Death Rate - The number of deaths per 100 people per year.
- Adult Literacy - The percentage of adults who can read and write.
- Life Expectancy - The average age reached in years.
- Infant Mortality Rate - The number of deaths before the age of 1 per 1000 live births per year.
- Employment - The percentage of people in employment, and the percentage employed in the primary, secondary, tertiary and quaternary sectors.
- Health Care - Doctors per 100,000 people

However the HDI index is a measure per county and as Africa is a continent, it is too big to develop a HDI for however it has some of the lowest HDI scores. Africa has the bottom 25 ranked countries.

Why is Africa Switched Off?

There are several factors that lead to Africa remaining an LEDC:

<u>The Spread of Diseases</u>

Because of Africa's low economic growth and corrupt governments little money is put into health care or the prevention of disease. The biggest killer in Africa is Malaria, although there are an estimated 22.9 million people in Sub Saharan Africa living with HIV in 2010. Both diseases are utterly devastating and contribute toward the cycle of poverty as many cannot work when they become ill and then cannot grow enough food to eat or earn enough to buy food.

Corrupt Governments

Corrupt governments do not spend tax on improving the country, it's economy, infrastructure. Therefore, the country does not benefit or improve.

Lack of Infrastructure

Lack of spending upon infrastructure has led to many places remaining isolated, this often means the place is not seen as desirable for investment, and the economy does not grow.

Conflict

Again conflict is another reason that companies do not invest in an area and therefore the area remains with low economic activity.

Lack of Education

A lack of education means the poverty cycle cannot be broken as the population remains uneducated and therefore not qualified for skilled jobs.

Low economic Growth Rate

This links into many of the other factors, but as the growth of Africa's economy is only 5% per year the area is not seen as a good area for investment.

Rostow's Stages of Growth

Many of the reasons that Africa remains an LEDC links into one another. This is because for Africa to develop the cycle of poverty must be broken.

There are two main drivers to breaking the poverty cycle as outlined in Rostow's stages of growth. Personal savings, if each person saves in a bank this gives the bank more money to use as capital. And investment, from the government and non-governmental organisations like charities and of course businesses. This drives the multiplier effect, this is where small investment into an area causes a 'snowball effect' which leads to improved lifestyles and environment. As wages increase more money is paid in tax, and individually people move towards improving their lives e.g. inside toilets, TVs etc.