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All this in our pipeline

The National Gas Company plays a major role in the development of Trinidad and Tobago's natural gas sector and by extension our country's growth and development. Our contributions enable T&T to enjoy a quality of life that is envied by many developing countries worldwide. We see our responsibilities to the nation as being a major driver of our values, mission, vision and strategy, as we set our sights on the future.

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Business Journal

contents June 2013

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Business Journal

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From the Editor's Desk

It continues to be a busy year for the Caribbean and in particular, Trinidad and Tobago.

Quite recently, the country hosted back-to-back visits from firstly, the Vice President of the United States, Joseph Biden and a few days later, by the new President of the People's Republic of China, Xi Jingping.

The twin-island republic also hosted leaders of the 15-member Caribbean Community (CARICOM) who joined in the high-level meetings with the visiting dignitaries from the U.S and China.

The highlight of the meeting with Vice President Biden was the signing of a Trade Investment Framework Agreement, which will be the base of follow-up discussions between the Caribbean and the U.S.

China is also looking to firm up its relationship with the Caribbean "to build a comprehensive and cooperative partnership," according to President Jingping on the first leg of his Latin American/Caribbean tour, which will also took him to Costa Rica and Mexico.

He promised US$3 billion in loans to Caribbean countries, most which are still struggling with economic declines and rising debt.

Despite the smaller Caribbean countries continuing to do poorly, the International Monetary Fund is forecasting economic growth in Latin America and the Caribbean to rebound to 3.5 percent this year after a 3 percent growth last year.

The IMF in its latest Regional Economic Outlook for the Western Hemisphere attributed improved performance on stronger external demand and the effects of earlier policy easing in some major countries in the region.

They've also called on countries to take advantage of favourable external conditions to lay the grounds for sustained growth by strengthening its policy buffers.

You can read more of the IMF's forecast for the Caribbean and Latin America in this issue of Business Journal.

Also, you can read about what World Trade Organisation (WTO) Director-General Pascal Lamy had to say about the opportunities for the Caribbean to increase trade which will have a positive impact on economic growth.

Lamy says the focus on maritime transport, ICT and energy will also be a central pillar in supporting closer economic integration.

I hope you enjoy this edition of Business Journal and thank you for the support and encouragement through your many letters and email.

Linda Hutchinson-Jafar

Editor

ACP states fear "immense damage" to sugar industries, call on EU to honour joint commitments

ACP sugar supplying states have called on the European Union to honour its commitments under the ACP-EU Cotonou Accord and Economic Partnership Agreements, arguing that abolishing sugar quotas before 2020 could cripple ACP developing economies.

In a letter to the current Chair of the EU Council of Agriculture Hon S. Coveney, the Chairman of the ACP Subcommittee on Sugar (ACP Sugar Group) Ambassador P.I Gomes of Guyana reiterated the ACP Group's strong concerns about the upcoming CAP reform and its effects on small and vulnerable sugar exporting ACP countries.

A December 2012 report by the European Commission Services entitled "Prospects for Agricultural Markets and Income in the EU 2012-2022" confirmed the results of earlier studies that the expiry of sugar quotas in 2015 would lead to a reduction of the domestic sugar price in the EU. This would make imports, including preferential access, less attractive. Imports would fall from 3.5 million tonnes in 2012 to 1.5 million tonnes in 2022. Moreover, the report states that the EU would move to self-sufficiency and may even become a net exporter from time to time.

Ambassador Gomes noted that the damage to ACP sugar industries and, more widely, to ACP economies will be immense. With current ACP exports to the EU in the region of 2.3 million tonnes, and considering competition from CXL imports and increasing imports under Free Trade Agreements, the inescapable conclusion is that ACP sugar exports will drop to a negligible fraction of what they are today, or be wiped out altogether of the EU market.

Ambassador Gomes said the conclusions of the Commission's own report "represented a serious disregard, on the part of the Commission, of the commitments made in the Cotonou Partnership Agreement and EPAs in terms of maintenance of preferential market access for the ACP. Of greater concern is the lack of prior consultations on these major developments to assess the impact on ACP countries promptly so that account may be taken of their concerns as to the impact of these measures before any final decision is made, as provided for in the agreements."

Ambassador Gomes strongly underlined that "were the EU, now aware of the Commission study, to abolish EU sugar quotas before 2020 it would seriously undermine and call into question the coherence of EU policies and, inevitably, the very basis of our long longstanding partnership and the fundamental interests that bind us will be considerably weakened."

However, the ACP – along with EU sugar processors and growers - supports the European Parliament's request for the continuation of the beet sugar quota provisions until 30 September 2020. This gives the much needed time to jointly and properly discuss future changes, pursuant to consultations provided for in the Economic Partnership Agreements and Cotonou and to implement measures to improve the competitiveness of our industries.

ECLACL Highlights Challenges of New Chinese Government and its Relations with Latin America

Osvaldo Rosales, Director of ECLAC's División of International Trade and Integration, during his presentation at the seminar. Left, Manfred Wilhelmy, Director of the Chile Pacific Foundation (Photo: courtesy of AsiaReps).

China will become the world's largest economy by 2020 (in terms of GDP), and will be an increasingly important global player. This new position provides the new administration headed by President Xi Jinping and Premier Li Keqiang with a series of internal and external challenges, according to the Economic Commission for Latin America and the Caribbean (ECLAC).

Recently, the Director of the International Trade and Integration Division of this United Nations commission, Osvaldo Rosales, took part in the seminar 'China and its Challenges' in the era of Xi Jinping, organized by the Columbia University Global Center for Latin America, the Chile Pacific Foundation and the Andrés Bello University.

Other participants included Senator and former Chilean President Eduardo Frei Ruiz-Tagle (by telephone); Director of the Centre for Latin American Studies on China of the Andrés Bello University and former Chilean Ambassador to China, Fernando Reyes Matta; Director of the Chile Pacific Foundation, Manfred Wilhelmy; General Manager of the ASIA-REPS consortium, Yung Han Shen; and Political Advisor of the Embassy of the People's Republic of China in Chile, Zhang Run.

In his presentation, Mr. Rosales highlighted the major transformations that had taken place in China over the past 30 years, including annual economic growth of more than 10%. "Over the past three decades, China has implemented the most intense industrialization process in human history, and achieved in that time what Europe and the United States took 200 years to achieve," he said.

Mr. Rosales added that the urbanization process had been the fastest in history, with almost two thirds of the population expected to be living in cities by 2020, and over 500 million people saved from poverty in 30 years.


news.xinhuanet.com

*Xi Jinping, President,
People's Republic of China*


crd.net.cn

*Li Keqiang, Premier,
People's Republic of China*

However, the ECLAC official stated that progress also had negative repercussions, as the same period had seen increased inequality in income distribution, while environmental costs account for almost 10% of GDP.

According to Mr. Rosales, "It is estimated that 14 or 15 of the world's 20 most polluted cities are in China. Its energy mix remains highly inefficient, despite major progress in the introduction of thermal energy plants in recent years."

It is his opinion that the major internal challenges faced by the new Chinese Government include finding a balance between economic growth and the environment, advancing in innovation to produce high-quality manufactures and improving the social safety net for its population.

Externally, the country's new status as the engine of developing countries (with China's GDP measured by purchasing power parity expected to exceed that of the United States by 2017), the main challenges are to take up the international leadership role that befits the country based on its economic and political clout, and to improve its financial openness.

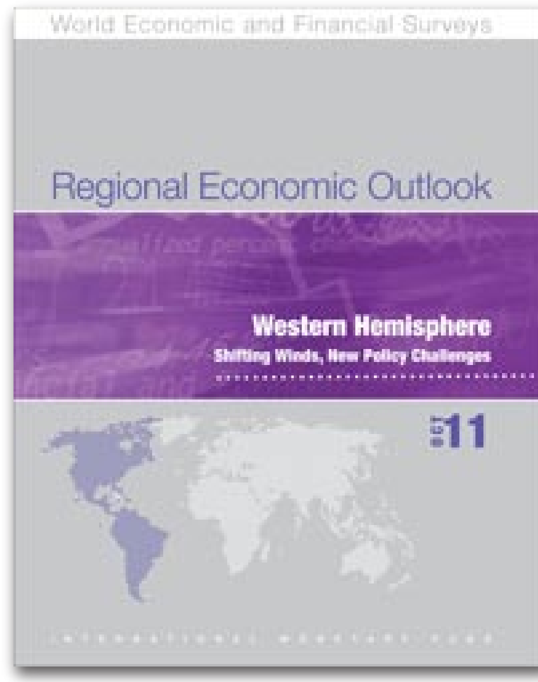
Mr. Rosales stated "Everything suggests China will become increasingly involved in the international system to make it fairer and more results-based [...] Hence the importance of strengthening the relationship with Latin America within the context of what was said by Xi Jinping during his visit to ECLAC (June 2011). Our region does not yet have a coordinated response."

He reiterated the need to move towards a new phase in relations between China and Latin America and the Caribbean, with a broader export mix that is not limited to the sale of raw materials. He declared "China is prepared to import manufactures from Latin America, but are we prepared? The rest is up to us."

Mr. Rosales concluded by stating the importance of appropriate implementation of public policies to boost productive transformation, increased coordination among Latin American and Caribbean countries to set up partnerships and a shared vision to promote dialogue with China and the creation of multinational projects.

At the end of the seminar, participants agreed that the agendas of China and Latin America and the Caribbean have shared interests and much in common that can be tackled together, such as the balance between the State, the market and society.

Latin American and Caribbean Should Take Advantage of Favourable Conditions to Foster Stronger Growth



Click image to access the full report

The International Monetary Fund (IMF) called on Latin America and the Caribbean to take advantage of still favourable external conditions to lay the grounds for sustained growth by strengthening its policy buffers.

Economic growth in Latin America and the Caribbean (LAC) is expected to rebound to 3.5 percent in 2013 after 3 percent in 2012, thanks to stronger external demand and the effects of earlier policy easing in some major countries in the region, the IMF said in its latest ***Regional Economic Outlook for the Western Hemisphere***.

Looking ahead, the combination of relatively easy financing conditions and strong demand for commodities should support this momentum as growth in 2014 is forecast to reach about 4 percent.

The outlook is not without clouds, the report said, reiterating its warning that a reversal of the favourable tailwinds is a risk. In particular, medium-term risks revolve around the tightening of global financing conditions and the possibility of a sharp slowdown in Emerging Asia, with knock-on effects on commodity prices. Also, the risk of a deterioration of external and financial sector balance sheets has increased, according to the IMF report.

"Our advice has not changed much from a year ago," said Alejandro Werner, Director of the IMF's Western Hemisphere Department at the launch of the report.

"Conditions are still very favourable, but they won't last forever. We are observing a moderation of commodity prices that may intensify and interest rates will eventually go up as the situation in advanced economies improves. The challenge for many countries in the region is to take advantage of this environment to rebuild buffers and build the foundation for stronger and more inclusive growth," Mr. Werner commented.

Different Priorities Across the Hemisphere

For Latin America's financially integrated economies (Brazil, Chile, Colombia, Mexico, Peru, and Uruguay), which are projected to grow 4.3 percent in 2013, the priorities should be strengthening public finances and financial sector stability.

It is important for these countries to set macroeconomic policies based on a realistic assessment of the economies' supply potential, the report said. This includes a more prudent fiscal stance to ease pressures on capacity and slow the widening of current account deficits while allowing exchange rate flexibility to discourage speculative capital flows.

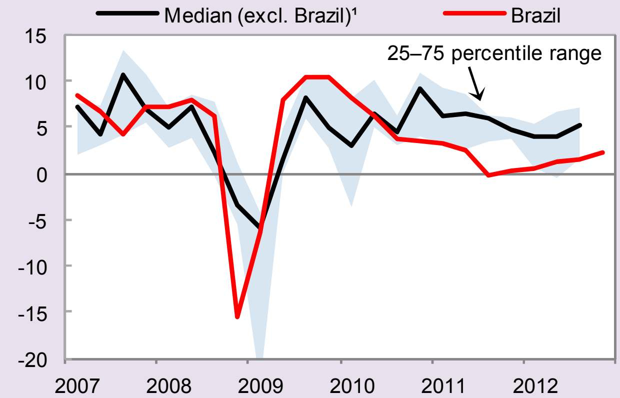
South America's less integrated commodity exporters (Argentina, Bolivia, Ecuador, Paraguay, and Venezuela), would benefit from saving a larger share of commodity revenues, according to the report. On average, primary public spending has increased by 10 percentage points of GDP since 2005. Given that these countries are highly vulnerable to terms of trade shocks, spending will need to be reined in to ensure fiscal sustainability.

Turning to countries in Central America, which are operating near potential and have for the most part debt-to-GDP ratios above pre-crisis levels, the report calls for a prompt consolidation of their fiscal positions and for some countries to increase exchange rate flexibility to help buffer against external shocks.

Finally, many Caribbean countries face a difficult situation as high debt and weak competitiveness continue to constrain growth. The key challenges for these countries remain broadly the same: reducing high public debt, containing external imbalances and reducing financial sector vulnerabilities, the report said.

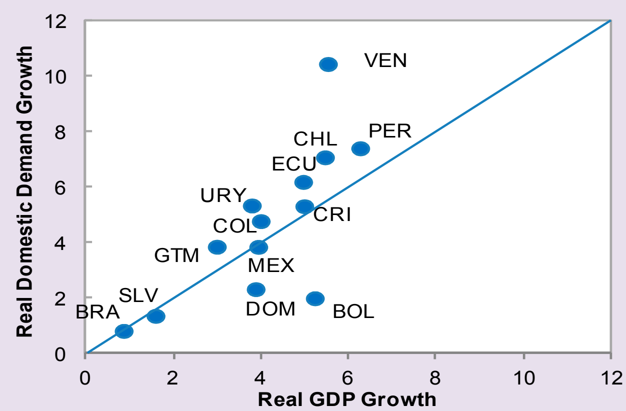
Figure 2.1. Growth remains solid in much of Latin America, driven by strong domestic demand, and output gaps are closed.

Selected Latin America: Real GDP Growth
(Quarter-over-quarter percent change; seasonally adjusted; annualized)



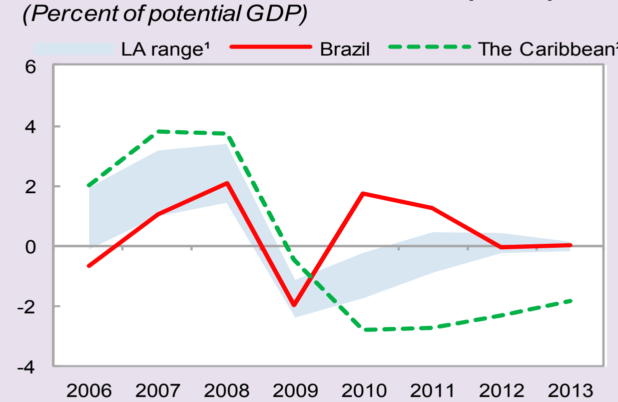
Sources: National authorities; and IMF staff calculations.
[1] Median of Argentina, Bolivia, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Mexico, Paraguay, Peru, Uruguay, and Venezuela. See Table 2.1, footnote 3 on data issues for Argentina.

Latin America: Domestic Demand versus Real GDP Growth, 2012
(Percent)



Sources: IMF, *World Economic Outlook*; national authorities; and IMF staff calculations.

Latin America and the Caribbean: Output Gaps
(Percent of potential GDP)



Sources: IMF, *World Economic Outlook*; and IMF staff estimates.
[1] 25–75 percentile range for all Latin American countries (excludes the Caribbean).
[2] Includes The Bahamas, Barbados, Belize, Guyana, Haiti, Jamaica, Suriname, the ECCU member states, and Trinidad and Tobago.

Source: Regional Economic Outlook for the Western Hemisphere.

Lamy: "Aid for Trade to support closer Caribbean integration"

"Today intra-Caribbean trade stands at just 13% which, as CARICOM itself notes, is on average, at 46 % below its trade potential. There are tremendous opportunities for increasing the role of trade in the region's growth. The strategy we are launching today, with its focus on maritime transport, ICT and energy will be a central pillar in supporting closer economic integration." - Lamy

Pascal Lamy

World Trade Organisation (WTO) Director-General Pascal Lamy spoke about "Harnessing the Development Potential of the Regional Aid for Trade Strategy" at the launch of the Caribbean Regional Aid For Trade Strategy in Port au Prince, Haiti on 11 June 2013:

What gathers us here today is the shared belief that trade can be an engine for growth, for jobs and for poverty reduction. But that having trade opportunities is not enough. We must translate the "trade can" into the "trade has" by ensuring developing countries have built the necessary trade capacity. And this is what Aid for Trade is about: helping transform trade opportunities into trade realities.

I last met with the Caribbean Community on Aid for Trade in Montego Bay more than four years ago. At that regional review, my message to you was clear: Aid for Trade can be a platform for the region around which the development partners and private investors could coalesce. Since that time, the global Aid for Trade agenda has continued to mature. Testament to this is the focus of the 4th Global Review of Aid for Trade on connecting developing countries to value chains and highlighting the growing role of the private sector. I look forward to seeing you all at the Review next month.

The region has made some initial but crucial steps in concretizing the role that Aid for Trade can play in its economic development. Belize and Jamaica launched two excellent national strategies, both of which were profiled in Geneva as examples of best practice, and for the past year the region has been actively working on a regional strategy.

This strategy is an excellent assessment of the constraints and opportunities faced by the region and a clear framework of the region's priorities, effectively aligned with the priorities of the member states. It is reflective of the time and effort which was placed in its conception and is rich with the results of the in-depth national consultations which were held in the different member states. The region has delivered on its promise.

Now it is time to focus on effective implementation, monitoring of the strategy at the national and regional level and allowing this to be the blueprint for the region's dialogue with development partners and domestic and foreign investors.

The Caribbean needs closer regional integration.

This process will not be an automatic one. This strategy is being launched in a period of increasing strains on the budgets of your traditional development partners. Although the resource mobilization pillar of Aid for Trade has been successful, it is also clear that a tough period lies ahead. But as the support from traditional donors may be strained, trade support from South-South partners is increasing, as is the funding stream from the private sector.

The Caribbean region registered close to USD 1 billion in Aid for Trade commitments in 2011, which is a substantial increase over the baseline period of 2002-2005 when the region received less than USD 300 million. Disbursements have also increased from around USD 100 million during that baseline period to close to USD 600 million in 2011.

A big part of Aid for Trade to the region goes to Haiti — the only least-developed country in the hemisphere. The region's high per capita income and high debt to GDP ratio has traditionally been seen as a handicap in accessing traditional grant-based development assistance. This is unlikely to change in the future.

I am aware that the issue of using per capita income as a gauge for receiving development assistance is a sensitive one for this region and it points to the importance of exploring other forms of support and collaborative ventures, including with the private sector.

The regional strategy seeks to do this by tapping into the lever of regional integration and the growing attraction of regional projects and programmes which can deliver exponential outcomes and impacts for a wider berth of countries and people.

The strategy seeks to build on the promise of a region free of barriers by identifying transformative projects that support closer integration. The Caribbean needs closer regional integration. And as you celebrate the 40th anniversary of the signing of the Treaty of Chaguaramas this year, I think it is a fair question to ask how the region can accelerate the pace which I witnessed some ten years ago when I was still the EU Commissioner and how it can honour the ideas of Williams, Burnham, Barrow and Manley — the founding fathers of the integration movement.

The best way to honour these architects of the Caribbean Community is to recommit to regional integration as the most successful and economically viable route towards greater and sustained development for the region.

But harnessing this potential requires more efforts channelled towards increasing intra-regional trade. Today, intra-Caribbean trade stands at just 13 per cent which, as CARICOM itself notes, is on average, at 46 per cent below its trade potential. There are tremendous opportunities for increasing the role of trade in the region's growth strategy.

The outlook for growth in Latin America and the Caribbean is around 3.5 per cent for 2013, slightly up from 3 per cent last year. But for the Caribbean, high debt and weak competitiveness will constrain growth leading to projections of around 1.25 per cent in 2013. This confirms that much of the structural barriers to growth remain, such as small markets, high cost of energy, limited interconnectivity, weak logistical infrastructure, limited diversification and export markets, and high public debt. Even in the area of tourism, where the region rightly has a comparative advantage, tourist arrivals slowed in the second half of 2012 reflecting only modest demand in traditional tourism markets.

The regional strategy, with its focus on maritime transport, ICT and energy as the key sectors for intervention, will be a central pillar in helping the region's economies focus on existing gaps. The emphasis on transport issues reflects the growing importance of increased connectivity, lowering the cost and time of doing business, and creating investment-friendly economies.

The cost of moving goods through the region is prohibitively high. This is as a result of the high cost of inputs — primarily because of the import-dependence of the region — but more importantly because of the need to scale up the hard and soft infrastructure related to trade facilitation between countries in the region.

A useful way to plot this is against the World Bank's Doing Business rankings and the World Economic Forum's competitiveness index. Out of 185 countries in the Doing Business rankings, St Lucia is the highest in CARICOM at number 53 and Haiti the lowest at 174.

In terms of the competitiveness index of 144 countries, Barbados is ranked the highest in the region at 44, with Haiti at 142.

The countries that topped these lists include Singapore, New Zealand, Hong Kong, Finland etc. Some of the factors that these countries have in common are relatively open markets, limited barriers to trade and effective facilitation of trade. Of these elements, we know that the Caribbean countries are some of the most open countries in the world, hence the wheel that probably requires the most greasing is that of the facilitation of trade.

For the WTO, this is one of the possible deliverables for the Ministerial Meeting in Bali this year. Along with some elements on agriculture, an LDC package and a few issues on the development portfolio, a Trade Facilitation Agreement is a critical injection which the WTO can deliver to the multilateral trading system.

Effective and transparent trade facilitating procedures is the oil that moves the wheels of trade. It is part of the most primal DNA of global business: maximizing the efficiency and minimizing the cost and time of importing and exporting.

In a world increasingly defined by a vast network of regional and global value chains where there is now little value in 'Made in Country X' but rather where 'Made in the World' is a more accurate nomenclature, trade facilitation is not a policy choice. It is a policy necessity.

One only has to look at evidence. A recent OECD study estimates that a border-related cost reduction of 1 per cent of the value of world trade would lead to welfare gains of around USD 40 billion, the majority of which would accrue to developing countries.

A recent ITC simulation concluded that by improving transport infrastructure and cutting the time and cost of transporting goods by half, trade would increase 51 per cent, especially intra-regional trade.

The Caribbean regional strategy, with its focus on increasing connectivity, can be an important link to these multilateral negotiations and is why I am convinced that it is in the interest of all WTO members, especially the smallest among the membership, to deliver on a Trade Facilitation Agreement.

For small economies in the Caribbean who will likely be part of the outliers in the mega-free trade agreements currently being considered, this recommitment to multilateralism is essential.

I also urge development partners to rally behind this strategy. It is a comprehensive, well-developed and articulate snapshot of what the countries in the region see as requiring the greatest financial and capacity building attention.

It should also inform dialogue with non-traditional partners, including the private sector.

The region certainly has the support of the World Trade Organization in this regard and I am confident that with the active monitoring of the CARICOM Secretariat, the Caribbean Development Bank, the Inter-American Development Bank and the many other donors supportive of this region, this strategy will lead to concrete deliverables.

US Shale Gas Imports: Idle Threat to T&T's LNG Markets in the Caribbean?

By Dr. Anthony T. Bryan

This is a revised version of a presentation made by Dr. Bryan at the recently-held IBC Gas Trading Conference held in Trinidad.

Will shale gas exports from the United States threaten Trinidad and Tobago's (T&T) niche gas market in the island Caribbean? There is a large body of public opinion (reflected in the media) that seems to think that it will be a threat. Some of us hold the opposite point of view. The shale gas threat has been overblown and T&T need not fear any immediate significant competition from U.S. exporters for the LNG market in the Caribbean. Indeed T&T is very capable of holding its own.

The U.S. Shale Revolution

No one should underplay the impressive energy change taking place in the U.S. It is now the world's largest producer of natural gas could become the world's largest hydrocarbons producer by 2020, and a net exporter of energy by 2035. This remarkable historical shift is due largely to the so-called 'shale gas revolution.' According to a recent Energy Information Agency (EIA) study, shale now comprises 31% total natural gas reserves in the U.S. and by 2035, shale drilling will account for about half of natural gas production.

U.S. Exports of LNG: An Obstacle Course

The U.S. is expected to become a future exporter of LNG and it will have an impact on the global and regional LNG supply/demand balance. But LNG exports from the U.S. are not yet a done deal!

First, much of the current debate in the U.S. with respect to natural gas exports is focused on LNG. The U.S. Department of Energy (DOE) conducts a drawn out public interest analysis of applications to export LNG to countries that do not have free trade agreements (FTA) with the U.S. In 2011 the agency approved an application to ship LNG from Cheniere Energy's Sabine Pass Liquefaction project in Louisiana, and in May 2013 granted conditional approval to Freeport LNG to export up to 1.4 Bcf/d over 20 years from its facility on Quintana Island, Texas. Both of these are to non-FTA countries. Other pending applications may be approved before the end of 2013.

Second, aside from obtaining *export* authorization, project sponsors must also obtain *authorization to build* a new LNG terminal ("green field") or expand a terminal ("brown field") from the Federal Energy Regulatory Commission (FERC).

Most of the LNG terminals in existence today were initially designed *to receive* natural gas imports, so they lack the essential feature for *exporting* LNG—namely the liquefaction facility. In April 2012, Sabine Pass became the first terminal to receive FERC's approval.

Third, the US has only the fourth largest technically recoverable shale gas reserves after China, Argentina and Algeria.

The U.S. Energy Information Administration's Annual Energy Outlook 2013 Early Release projects U.S. natural gas production to increase from 23.0 trillion cubic feet in 2011 to 33.1 trillion cubic feet in 2040, a 44% increase. Almost all of this increase in domestic natural gas production is due to projected growth in shale gas production, which grows from 7.8 trillion cubic feet in 2011 to 16.7 trillion cubic feet in 2040. (www.eia.gov)

However, by the early 2020s, many global LNG projects may come online, and the United States could face steep competition from large existing and emerging suppliers such as Qatar, Australia, Canada, and Russia.

Finally, apart from the stiff competition in the global LNG market, there are other hurdles for proposed U.S. LNG export projects from shale gas. They face a steep uphill battle of opposition from environmentalists, questionable economics (the high capital cost of a "Green field" export facility), and the volatile natural gas price differentials among gas markets. Since shale gas reserves decline much faster than conventional ones, the EIA forecasts that LNG exports *from shale gas* will probably peak as early as 2027.

T&T's LNG Game Advantage

So if the U.S. shale gas revolution is not yet a "game changer" for the international market what are T&T's chances of remaining viable in global LNG markets? Obviously T&T can expect U.S. competition in the 21 countries to which T&T now supplies LNG. But there are several factors in T&T's favour:

- *The trading of gas will continue to grow faster than consumption*. Global natural gas demand is projected to outstrip supply in the near future. LNG will play an even larger role. Global LNG production is growing significantly at 4.3% per annum and expected to account for 15.5% of global gas consumption by 2030. There will be significant new competition for global LNG markets. At present T&T remains a significant player in global LNG trade, holding 6% of the LNG market and ranked 6th in the world for LNG exports.

- *The flexibility of LNG as a commodity allows producers to switch markets*. T&T, Nigeria and Qatar are leading the LNG export diversification. There is a dramatic market shift underway for T&T's LNG exports away from the US and toward South America and Europe where prices are higher. For example, according to Atlantic, in 2008 about 50 per cent of its LNG went into the US. In 2012 it was less than 20 per cent and declining. By contrast the percentage of Atlantic's cargoes into South America has grown to over 40 per cent, with Argentina being the largest importer.

- *T&T has a fairly long breathing space before US LNG competition kicks in*. But there is competition in the long term. According to Albert G.Nahas, vice president for international government affairs at Cheniere Energy, the company does not intend to use its Sabine Pass terminal in Louisiana (under construction) to access the Caribbean market for small scale deliveries, at present. Capacity is pretty much sold out at Sabine Pass through already signed contracts to BG, Gas Natural, Kogas, GAIL, Total and Chevron. Cheniere is also looking for regulatory approval for a second export gas terminal at Corpus Christi to supply Caribbean customers. Construction will start in 2016 so there will be no export from there until 2018-2019. T&T is currently selling gas at premium prices in Asia so it would not make economic sense to reduce its income by providing discounted gas to its Caribbean neighbours. This gives T&T time to get its act together and maximize efficiency at the planned "small LNG" plant at La Brea so that LNG sales in the Caribbean can be price competitive.

- *Development costs per unit ton of new LNG liquefaction plants worldwide are very high compared to the original T&T trains.* T&T's LNG for some time will still be cheaper than in most of the world. T&T's existing trains have a lower cost base and global pricing slack.

The "Bucket (to do) List" T&T LNG

T&T can remain competitive provided that it has sufficient reserves to continue as a major gas exporter. According to the last Ryder Scott Gas Audit in July 2012, T&T has non-associated gas reserves amounting to 13.2 tcf (proven), 6.0 tcf (probable), and 6.1 tcf (possible). In addition, there are "un-risked exploratory resources" amounting to 30.4 tcf. Exploration in the deepwater has been ramped up through successive bid rounds.

Remaining competitive will also entail the following:

- provide creative fiscal regimes that welcome foreign investment models that create alignment between the objectives of the host government and foreign investors;
- capture of small and medium energy LNG cargoes in the Caribbean and Central America;
- encourage other Caribbean countries to invest (as stakeholders) in a small scale specialized facility in Point Lisas or La Brea that specializes in shipping stranded or land-based gas from T&T as CNG or LNG to neighbouring Caribbean countries;
- examine the feasibility of investment in small CNG import terminals for regional markets to which T&T will be the main exporter;
- continue diversification of trading partners;
- capitalize further on the huge Asian market (which could be facilitated by the current expansion of the Panama Canal).

So if there is a serious threat it is about 5 years down the road. In the past 105 years T&T has developed an oil industry, morphed into a gas economy, and established a formidable petrochemical sector. We can meet new challenges again.

Prof. Anthony T. Bryan consults on energy geopolitics and energy security for U.S.-based political and economic risk firms. He writes frequently for international energy and business publications. He is an associate of the Trinidad-based Association of Caribbean Energy Specialists (ACES).

Photo News

Tisha Lee, Republic Bank Ltd and Donna Ramsammy

New CSR Book launched in Trinidad and Tobago

Business Journal attended the launch of the T&T CSR Review 2012-2013 in early June at the Carlton Savannah Hotel in Port of Spain, Trinidad.

The first annual publication of the T&T CSR Review highlights the current trends and practices in how Corporate Social Responsibility and Investment is being delivered in Trinidad and Tobago today.

This year's publication focuses on companies from the Energy, Manufacturing, Financial and Communications sectors. It also shares some perspectives from both local and international contributors and up close and personal stories from beneficiaries and non-profit partners in social responsibility.

Editor-in-Chief of the T&T CSR Review, Donna Ramsammy said work is already progressing on the 2013-2014 publication.

If your company is interested in being featured in the next edition, email Mrs. Ramsammy at team@virtual-tt.com

Co-host Giselle Larone-West of Angostura

UN Representative Richard Blewitt makes his point

Informative and insightful

Addressing Food and Nutrition Security:

The Political and Social Context

By Ambassador P.I Gomes

At the 38th Session of the FAO Conference in Rome on June 16th, a special event marked the achievement of "notable and outstanding progress in fighting hunger" by 17 countries. Among these were two Caribbean countries – Guyana and St Vincent & the Grenadines – that succeeded in reducing hunger and the prevalence of undernourishment, over the last 15 years, by targets set by the World Food Summit (WFS) in 1996.

While celebrating with all the "outstanding performers", no doubt in the Caribbean many are justly proud of our two sister countries; and of course, would have been even prouder to celebrate similar gains by all Caribbean countries engaged in the battle to end hunger and malnutrition combined with the achievement of good health for our societies.

The continuing scourge of hunger and its attendant negative consequences for the entire family of nations in our common home of Planet Earth ought to be seen as a most disturbing contradiction of the contemporary world. This was aptly expressed by Dr. Jose Graziano da Silva, Director-General of the FAO, when at the 2012 ACP Summit of the African, Caribbean & Pacific (ACP) Group of States in Malabo, Equatorial Guinea, he observed: "Many people think that we can end hunger by simply producing more food – but even in countries where there is plenty of food, there is still hunger. In fact, the world already produces enough food to feed every single person, but nearly 870 million still suffer from chronic undernourishment."

For us in the Caribbean, this contradiction of the "production" of available food contrasted by the relative denial of "access and utilisation" of nutritionally valuable food is a most striking and shameful condemnation. In this tragedy, society as a whole is to be held accountable. It requires the awareness and courage to act by recognising that food insecurity and its attendant negative consequences is primarily a social and political phenomenon not a technological one. Indeed, a timely reminder was given by Director General DaSilva with his remark that "we cannot achieve broad, long-term improvements in food security ***unless we go beyond agriculture"***.

From such an angle, I wish to share a few thoughts that may be helpful to situate "food security" essentially linked to nutrition and health, in the context of its social institutional demands.

Caribbean Initiatives

There is of course no shortage of political statements on the issue. For instance, in CARICOM there have been quite commendable efforts to articulate "A Plan of Action on Agriculture" that had been adopted by the Caribbean Community under the short title of the "Jagdeo Initiative". This was certainly a sound attempt to address structural and systemic problems and challenges of Caribbean Agriculture based on an assessment of 10 "key binding constraints" identified by extensive studies and consultations in 2004-5. At that time, this was predominantly driven by a technocratic focus spearheaded by the CARICOM Secretariat, FAO, IICA and CARDI (the Caribbean Agricultural Research and Development Institute) and eventually expanded to include the Caribbean Development Bank (CDB) and the then-Faculty of Science & Agriculture of the University of the West Indies (UWI).

It is reasonable to argue that the 2006 CARICOM Initiative has achieved minimal and uneven results, particularly when measured against the enormously high and rising food import bill that some estimate at nearly US$3 billion annually. No doubt the constraints identified, including, the shortage of agriculture finance, inadequate R & D capacity, weak policy and planning capacity, water resource constraints and absence of private sector investment in agriculture for basic food crops, fruits and vegetables, are systemic factors affecting our populations' basic food needs.

But on the whole, after repeated calls at Summit meetings, it was evident that required systematic POLITICAL engagement across all the member states and within countries was not forthcoming.

Exceptions have been partial efforts on one or other issue in individual CARICOM Member States by individual leaders disposed to mobilizing constituencies to the preeminence of the food security issues. Such has been few and sporadic.

The "next generation" of policy menus shows a broad rethinking that resulted in CARICOM's *agricultural* strategy becoming articulated in the Liliendaal Declaration on Agriculture and Food Security (2009).

More recently, the Caribbean Food and Nutrition Strategy (CFNS) as adopted in Grenada in 2010 and the Hemispheric Strategy of the Inter-American Institute for Cooperation in Agriculture (IICA) reveal clear linkages of food and nutrition.

Almost tangential has been the great work of the Caribbean Commission on Health and Development (CCHD) in 2003 that benefitted from one of the earliest areas of functional cooperation – the Caribbean Cooperation on Health (CCH) Initiative of 1984. A major policy advance on health care emphasizing "wellness" of society as the overarching goal of the health sector was the CARICOM Summit on Chronic Non-Communicable Disease in 2007. This created great awareness and planned actions on the so-called "silent killers" of heart disease and stroke, cancer and diabetes.

The commendable progress to date in this area is usually attributed to public awareness and educational campaigns in which political and social engagement through popular mobilization have been significant. This is the *political focus*, expressed as sound policy formulation and commitment, and the *social prism* through which the linkages of food, nutrition, health as wellness and the economy are to be blended.

While the many Caribbean initiatives highlight constraints and accurately identify the elements that should be addressed, the "how" of policy formulation and implementation, without effective institutional mechanisms, remain unclear? Not only have they been without adequate resources to make realistic and sustained implementation possible, but also the level, scope and sequencing of strategic actions have been missing. This points partly to why limited success has been achieved and it speaks to the absence of a broad-based societal involvement. This would entail participation that includes farmers' organizations, food importers and distributors, nutritionists and dietitians, consumer associations and civil society organizations.

FAO Director-General José Graziano da Silva with Prime Minister of Guyana, Samuel Hinds at a side event to recognize countries in fighting hunger

Learning from Brazil's Zero Hunger Programme

Certainly each country and regional groupings will craft their own path and programme to eradicate hunger but where examples exist of "outstanding success" we could draw on these and apply as relevant. One such case is Brazil's Zero Hunger Programme about which a few aspects are highlighted and their relevance to the Caribbean may be explored.

Initiated during the Presidency of Inacio Lula daSilva, the Zero Hunger ("Fome Zero") Programme was accorded political commitment at the highest level with the goal of ending hunger and was treated as a central objective for all relevant branches of government.

At the Presidential level there was an intra-governmental coordination mechanism.

Some five other features are worth noting as were depicted by the FAO Director General, who had previously served as the architect and national coordinator of the Programme under President Lula.

First, budget allocations to support identified goals were provided.

Secondly an inclusive governance system to allow participation by all relevant actors was established, ensuring government and non-governmental interests are represented as a basis for discussion and agreement on a common agenda.

Thirdly, attention is given to building on what exists in all the food and nutrition-related programmes and projects so that a kind of stock-taking of what can be scaled-up without trying to reinvent what already exists without learning both lessons of success and failures and the reasons why.

This is so fundamental in that newly-elected governments have a tendency to discard any and everything from a previous administration resulting in waste and loss of valuable knowledge and practice.

In the case of Brazil, scaling-up was done to social protection programmes such as "monthly cash transfers", linked to literacy and school attendance; nutrition programmes through school meals; direct support to small and medium scale enterprises that produced food for school meals in local communities and nation-wide food and nutrition education.

Fourthly, explicit policy decisions were made to create linkages between programmes to enable synergies by which better results and the small scale of operations could be enhanced.

Fifthly, a national legal framework was established by which to underpin the regulatory and operational aspects of food, nutrition and hunger eradication by law.

In conclusion, it is quite evident that such a short sketch can hardly do justice to Brazil's widely-acclaimed "Zero Hunger" Programme. However, I do hope its holistic political and socially inclusive starting-point may strongly encourage Caribbean policy-makers to learn and adapt Brazil's experience to their own needs.

In this regard, the FAO's Sub-regional Office in Barbados should be called upon to lend support as its mandate includes implementing the "Zero Hunger Challenge" launched by UN Secretary General Ban Ki-moon at the Rio+20 Conference on Sustainable Development in Rio, last June 2012.

Additionally, a great opportunity resides in the substantial resources of the Caribbean component of the Intra-ACP-European Development Funded programme on "Agricultural Policy Support" which is specifically aimed at strengthening policy regimes and incentive schemes for agro-industrial SMEs and farmers' organisations to make a significant contribution to national and region-wide processes for hunger eradication in the Caribbean. These are opportunities that hopefully will be utilised to the max!!

Outcome of global hunger summit - major step towards ending 'injustice of malnutrition'

United Nations officials welcomed funds pledged and political agreements reached at the Nutrition for Growth summit, held recently in London, as a new opportunity to ensure millions more infants and pregnant women have better diets, and to reduce cases of stunting and deaths from malnutrition.

In a video message to the high-level event, UN Secretary-General Ban Ki-moon reaffirmed the Organization's commitment to alleviating malnutrition in all its forms.

"No child should suffer the injustice of malnutrition. Yet one in four will be stunted by chronic malnutrition -- unless we act," said the UN chief.

"These commitments can support children's development, help hundreds of millions of people and boost the economies of some of the world's most vulnerable countries. The UN system and I will do everything within our power to see them fulfilled," he declared.

A child gets measured for malnutrition in Mali. Photo by OCHA

The event, which brought together leaders from Governments, the private sector and civil society, was hosted by the Governments of Brazil and the United Kingdom, and the Children's Investment Fund Foundation (CIFF).

According to the UN Children's Fund (UNICEF), the event resulted in renewed commitments to accelerate progress towards significant reductions in stunting and improved nutrition for children and mothers around the world, including initial pledges of funds exceeding US$4 billion.

"For children who face the unnecessary threat of stunting – something that not only deprives them of physical good health but dramatically weakens their potential to learn, to earn a decent income and to contribute to the prosperity and growth of their communities – today's gathering underlined a global determination to meet that threat," said UNICEF Executive Director Anthony Lake.

At the event, UNICEF pledged to continue its own investment in strengthening nutrition in countries worst-affected by stunting and other forms of undernutrition – an investment represented by more than 350 nutrition experts working with governments and local communities in some 65 countries, backed by a financial contribution that has seen around US$1 billion spent by UNICEF on improving nutrition over the last five years.

UNICEF was among several United Nations agencies welcoming the formal Global Nutrition for Growth Compact agreed by participants that highlighted commitments to make nutrition a top political and socio-economic priority for both donors and countries affected by undernutrition, capitalize on scientific knowledge and innovation to improve nutrition, and strengthen transparency and monitoring of results.

José Graziano da Silva, Director-General of the UN Food and Agricultural Organization (FAO) also welcomed the new funding pledges, commitments and targets for action on nutrition.

"I welcome the Global Nutrition for Growth Compact agreed at the meeting. FAO will work with all committed Governments to realize their food security and nutrition goals,"

Mr. Graziano da Silva said.

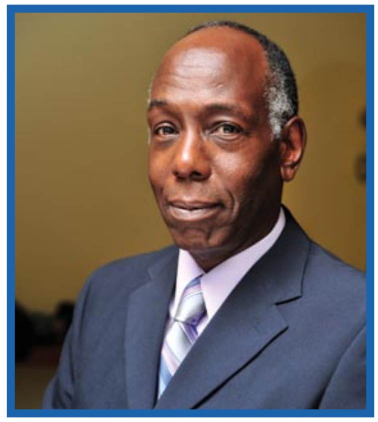
José Graziano da Silva, Director General, FAO. Photo: FAO.

Bill gates at Nutrition for Growth. Photo: The Children's Investment Fund Foundation

Singer Angélique Kidjo talks to bloggers behind-the-scenes at Nutrition for Growth. Photo: The Children's Investment Fund Foundation

Patience is good investment

By Garfield King



"I just don't have the time." When did you last say that to yourself? Last week, yesterday, earlier this morning?

Because we feel time is tight, life becomes a rush as we try to do many things at the same time. Even when we want something to change for the better – perhaps a relationship, work or our community – we often rush into it with eyes and mind closed, biting off more than we can chew. Instead of managing the change we are overwhelmed by it. The result? Lots of words and superficial actions, but no improvement.

Some days it's as if everything is a blur with life itself seemingly stuck in fast forward mode. Manufactures and advertisers tell us that faster is better. But speed is not always what's required, often we need to create the time and space to catch our breath, relax, recharge and exercise wisdom. You can't see the big picture while stressed out with what's happening around you.

But who has the time to slow down? Some people if you tell them to be patient, they respond as if you insulted them. Patience is a valuable asset worthy of any portfolio. On the other hand, impatience can be like trying to eat unripe fruit. It may satisfy your hunger for a short while, but then comes the upset stomach and other unpleasantness.

Psychiatrist and business consultant, Dr. Martin Groder, notes that even if you know what you want in life, having an active imagination and boundless energy is not enough. You must also have patience. "Even if your instincts are right and the action that you take is correct, the fact that you acted impulsively will likely lead to self-doubt when you later wonder whether you made the right move. That self-doubt can erode your confidence in what might otherwise have been a very smart decision" says Groder.

Financial advisor and author Dave Ramsey advises "Don't confuse patience with sitting on your butt. Patience is a lion lying in wait for the gazelle to come near. It is purposeful waiting."

Patience can be the difference between growth and collapse for an entrepreneur or in the early stages of setting up a business. A great idea can often be way ahead of the curve, people are not quite ready for it. You may have the vision , but others just can't see it. You're going to need to stick to it and push on. It helps to connect with people who can at least get a glimpse of what you're seeing. This provides valuable support as you work on building the foundations of your venture.

Patience reminds us that the world does not revolve around us and our desires; we are part of something larger that has its own timing and flow.

If we are patient, we observe the movement of life and get a better sense of the right moment to act. I've been told "success is largely a matter of hanging on after others have let go." You need patience and persistence for that.

A patient mind calmly awaits the unfolding of circumstances and in that patience, acquires the knowledge and insight to handle situations more effectively. Then, rather than a knee jerk reaction, we act from a position of thought and vision, often leading to better outcomes.

A cautionary note: don't use patience as an excuse or method of putting things off, not doing what needs to be done or not making the decisions that need to be made.

Patience is not about doing nothing, but rather allowing time and space to get yourself together, so that when you do something, it **really is** something.

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OAS LAUNCHES CARIBBEAN HERITAGE SHOWCASE

The Organization of American States (OAS) inaugurated an exhibit of previously unseen works by Caribbean artists, titled "Groundation – Sources of Caribbean Artistry," at the headquarters of the hemispheric organization in Washington, DC.

Hosted by the OAS Assistant Secretary General Albert Ramdin and curated by Jamaican author, sociologist and cultural heritage specialist Margaret Bernal, the exhibit includes a range of oils, water colors, mixed media and a tapestry five years in the making, detailing Caribbean culture from Ottawa-based Trinidad artist Lorna Ramlochansingh.

The OAS Caribbean Heritage exhibit also features a showcase from the Columbus Memorial Library highlighting achievements and milestones of the Caribbean in the OAS.

"Caribbean nations represent a diversity that is global. Our nations may be small, but our people stand like giants in their contributions to the world. Through music, art, literature, law, politics, and even sport, the footprint of the Caribbean can never be erased, nor should it be underestimated," said Assistant Secretary General Ramdin.

Photo: Juan Manuel Herrera / OAS

Chinese President visits Trinidad and Tobago

Trinidad and Tobago hosted the new President of the People's Republic of China (PRC) Xi Jinping in early June on his first visit to the Caribbean region.

Prime Minister of Trinidad and Tobago, Kamla Persad Bissessar said she attached great importance to her country's relationship with China dating back to the 1970s.

"This relationship is one of strategic geopolitical partnership because both China and Trinidad and Tobago understand what it is like to be a developing country struggling to buffer ourselves against the negative aspects of globalization while positioning ourselves to take advantage of the positive fruits of a rapidly globalized world," she said.

Photos courtesy The Office of The Prime Minister, Trinidad and Tobago

US Vice President Joe Biden visits Trinidad and Tobago

United States Vice President Joseph Biden travelled to Trinidad and Tobago in late May and discussed a full range of bilateral and regional issues with Prime Minister Kamla Persad-Bissessar and Caribbean leaders.

He discussed the United States' commitment to deepening economic collaboration and expanding prosperity and social inclusion in the Caribbean.

The leaders also discussed citizen security cooperation and the importance of building safe communities that contribute to a favorable business and investment climate.

During the visit, the United States – Caribbean Community (CARICOM) Trade and Investment Framework Agreement (TIFA) was signed.

The Agreement provides a strategic framework and principles for dialogue on trade and investment issues of mutual interest.

The TIFA establishes the United States – CARICOM Trade and Investment Council that will guide implementation of the Agreement.

Photos courtesy
The Office of The Prime Minister, Trinidad and Tobago

Secretary General of the Organization of American States (OAS), José Miguel Insulza spoke on the theme "Thematic Debate on Inequality" at the United Nations in early July.

Let me begin by sincerely thanking the President of the UN General Assembly, Vuk Jeremic, for taking the initiative to convene this Thematic Debate. It is a very timely debate, which comes as many countries around the world have recently witnessed protest movements attributed to a widespread perception of inequality.

Although they have been caused by very diverse factors (unemployment, homelessness, the effects of the economic crisis, the demand for better education, protests over rampant crime, or even increased fares for public transport), these demonstrations have similar characteristics and feature new protagonists: they are mass movements, that bring together various actors, especially young people; they are not organized by political parties, trade unions or known social groups; and the majority of their protagonists do not come from the most excluded social sectors.

Their common theme is the demand that, given the state of development of their countries, they are entitled to a more just distribution of income or social benefits from society and the state. What is behind these protests is the public demand for economic, political and social equality.

I come, as you know, from a part of the world which has one of the worst situations in this regard. Latin America has been able to substantially reduce poverty in recent years, with a sustained effort from its governments; but this important achievement has been accompanied by only a very marginal reduction in the gap between the lowest and highest incomes in society. Latin America maintains the most negative Gini coefficients in the world, while in North America inequality has also increased systematically in recent decades.

The paradox is that, if we project forward the figures from recent years, the hope of eventually eliminating poverty in most of the world seems within our reach, but this historic achievement is accompanied by an income gap between the richest and the poorest in society that will either stay the same or grow larger. And even worse, if we examine the figures more closely, we discover that traditional analysis masks a more dramatic reality: the wealthiest 1% of the citizens of the planet has more than doubled its wealth in the last decade, all the time increasing their share of the national income of their countries. Recent studies show that 1% has come to control 39% of global output, and the wealthiest 10% to control 83%. At the same time, more than 2.7 billion people live on less than two dollars a day.

From this point of view, the term "middle class," which is increasingly used, hides a more complex economic truth and a more explosive social reality. A society in which a very significant number of citizens perceive that the wealthy have access to levels of consumption and services which they have no hope of reaching, is by definition an unstable society, especially at a time when mass media are diversifying to the extent they are today and in which we know more and more about how others live.

Although poverty has dropped to 30% of the population of Latin America, that figure is still high for a region with our level of development. Furthermore, indigenous people, afro descendants and those living in rural areas are overrepresented. Gender discrimination is also a significant factor. This shows that poverty and social exclusion disproportionately affects vulnerable populations, deepening inequality.

Levels of informal employment reach as high as 50% of the economically active population (EAP), and this affects women and young people in particular. Structural heterogeneity is increased as highly productive sectors represent a smaller percentage of formal employment, accentuating the persistent income gaps between more and less skilled labor and different labor sectors.

To all of this we must add inequality in the access to and quality of basic social services. That inequality is not just a matter of distribution: today there are great differences in the quality of education, access to health care, housing quality and even in public security, which is a social service that is increasingly in demand: the number of private security guards in many countries is greater than that of police and state authorities.

Only 46% of the employed population has social security, and among the poorest quintile that number is close to 20%, while among wealthier sectors it reaches 58%. 36% of Latin American households do not have any social protection, even "non-contributory".

The perception of distributive injustice and lack of trust in government have grown in the last decade.

Within the region, there are educational gaps in several levels of education and stratification in the quality of supply. Just 24% of young people in the poorest quintile finish high school, while in the wealthiest quintile the figure is 83%; and there is also a degree of inheritance of educational capital. In addition, more than 250 million people in the Americas lack health insurance.

From all of the above, it is worth noting the important link between inequality and the governability of our countries. In reviewing recent reports, it is worrying to note the negative perceptions of the public about distributive justice in their countries. According to the Economic Commission for Latin America and the Caribbean (ECLAC) of the United Nations -which is, incidentally, the essential source of information on these issues-, "in 2011, 79% of the population of the region believed that the distribution of income in their country was unfair or very unfair."

The perception of distributive injustice and lack of trust in government have grown in the last decade.

This - I'm quoting ECLAC - seems to indicate "the persistence of deep citizen dissatisfaction with the way in which institutions work and how economic, social, and political goods are distributed. In turn, the association between the objectively measured inequality and the dissatisfaction with these institutions also indicates the conflictual character of the prevailing high levels of concentration of wealth and social differentiation in Latin American societies."

When explaining the causes of rising inequality, it is usual to attribute the phenomenon to "positive" factors of economic growth: there is a much greater demand for and higher salaries paid to skilled professionals, the reward for talent, risk and innovation, the road to global competitiveness provided by greater access to markets, etc. All this may be true, but we must also consider that, in most parts of the world, there is no real equality of opportunity, but rather a transfer of advantageous positions through family and group affiliation, which means that the best explanation for wealth is either coming from a wealthy family, or at least a well off family or one able to provide a good education. Social mobility in the region is much lesser than in many countries, limited precisely because of the factors of quality of and access to education that are the basis of inequality.

But even if one accepts that inequality is caused by changing market conditions, it is clear that we will not find solutions in the market to address it. The sustained increase in inequality has occurred over the last four decades, when some began to proclaim that "the state is part of the problem, not the solution." To give an example, in 1970, 1% of North Americans earned 9% of the national income, while the figure was 23.5% in 2007. We don't have to subscribe to the discourse of anti-neoliberalism in order to conclude that the free market does not distribute fairly and therefore it is essential to have adequate public policies.

The problem is not a simple one to solve, because as we have seen, greater equality does not come as a result of economic growth. As Larry Summers has recently shown, it is not that the middle classes remain stagnant as their economies grow, on the contrary, they also grow, but do so at a slower pace (actually much slower) than higher-income sectors. As a result, the gap continues to grow, although living conditions improve for everyone. And it is difficult to create, in a market economy, a situation in which low-income sectors increase their earnings more quickly than those who control the production process and have the most competitive jobs.

To achieve a reduction in inequality, therefore, requires public policies that reduce inequality of opportunity, instead increasing social mobility through better education and health care, equal access to credit as well as housing, transportation and public safety services.

It is important to remember however that the process of increasing inequality - as mentioned earlier - began in a sustained way more than forty years ago, when a systematic reduction of taxes on the wealthy began, ostensibly to raise rates of investment; along with anti-union and anti-collective bargaining policies, which were aimed at increasing competitiveness by reducing the cost of labor.

The challenge of achieving a fairer distribution lies in the formulation of public policies that include a set of effective social policies and also reexamine labor and tax adjustments, consistent with economic growth, but defending the interests of the most vulnerable.

The development of these policies today faces also an additional obstacle, which complicates the task of the experts who we will hear today. That obstacle is the loss of confidence in the institutions that affects many of our countries, which makes it difficult to undertake changes that involve an increase in resources to finance public policies and strengthen institutions. Regaining that trust by undertaking a deep reform of our institutions is the great challenge of the political class in our Hemisphere and of nearly the entire world.

Developing World's Share of Global Investment to Triple by 2030, says new World Bank Report

Seventeen years from now, half the global stock of capital, totaling US$158 trillion (in 2010 dollars), will reside in the developing world, compared to less than one-third today, with countries in East Asia and Latin America accounting for the largest shares of this stock. This is according to the latest edition of the World Bank's Global Development Horizons (GDH) report, which explores patterns of investment, saving and capital flows as they are likely to evolve over the next two decades.

Developing countries' share in global investment is projected to triple by 2030 to three-fifths, from one-fifth in 2000, says the report, titled 'Capital for the Future: Saving and Investment in an Interdependent World'. With world population set to rise from 7 billion in 2010 to 8.5 billion 2030 and rapid aging in the advanced countries, demographic changes will profoundly influence these structural shifts.

"GDH is one of the finest efforts at peering into the distant future. It does this by marshaling an amazing amount of statistical information," said Kaushik Basu, the World Bank's Senior Vice President and Chief Economist. "We know from the experience of countries as diverse as South Korea, Indonesia, Brazil, Turkey and South Africa the pivotal role investment plays in driving long-term growth. In less than a generation, global investment will be dominated by the developing countries. And among the developing countries, China and India are expected to be the largest investors, with the two countries together accounting for 38 percent of the global gross investment in 2030. All this will change the landscape of the global economy, and GDH analyzes how."

Productivity catch-up, increasing integration into global markets, sound macroeconomic policies, and improved education and health are helping speed growth and create massive investment opportunities, which, in turn, are spurring a shift in global economic weight to developing countries. A further boost is being provided by the youth bulge.

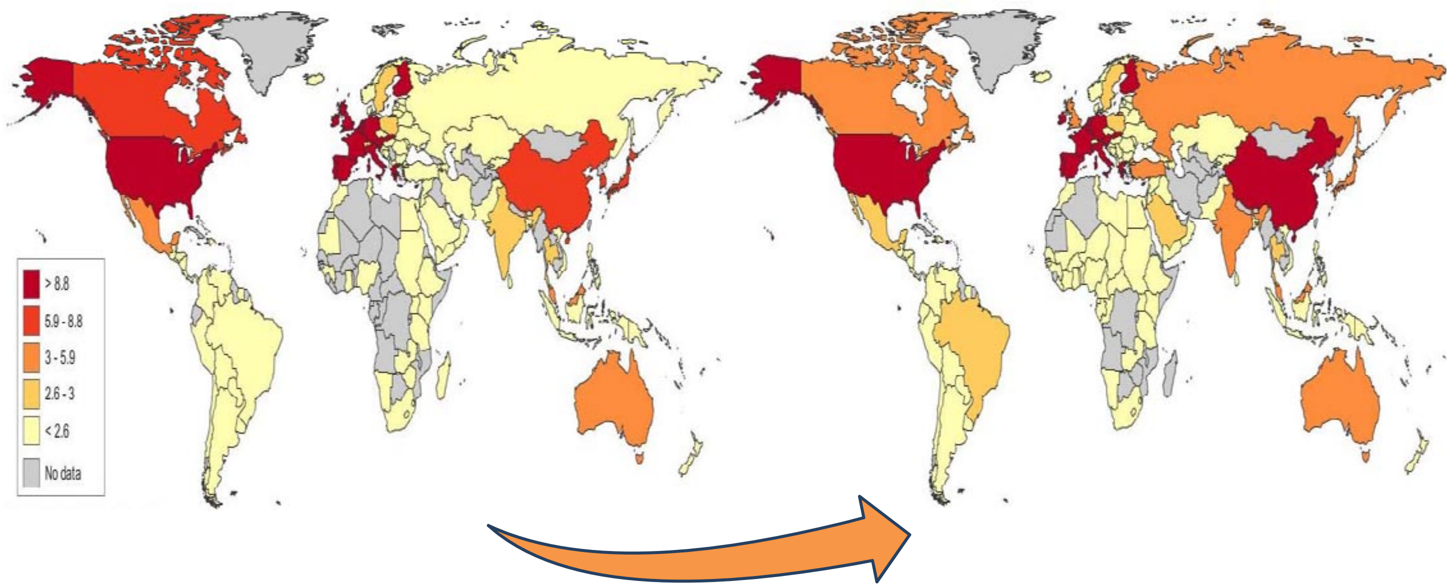
With developing countries on course to add more than 1.4 billion people to their combined population between now and 2030, the full benefit of the demographic dividend has yet to be reaped, particularly in the relatively younger regions of Sub-Saharan Africa and South Asia.

The good news is that, unlike in the past, developing countries will likely have the resources needed to finance these massive future investments for infrastructure and services, including in education and health care. Strong saving rates in developing countries are expected to peak at 34 percent of national income in 2014 and will average 32 percent annually until 2030.

In aggregate terms, the developing world will account for 62-64 percent of global saving of $25-27 trillion by 2030, up from 45 percent in 2010.

Global distribution of growth poles

1994–98 2004–08



Emerging economies are increasingly becoming drivers of economic growth

Source: Mansoor Dailami. Multipolarity: the New Global Economy.

"Despite strong saving levels to finance their massive investment needs in the future, developing countries will need to significantly improve their currently limited participation in international financial markets if they are to reap the benefits of the tectonic shifts taking place," said Hans Timmer, Director of the Bank's Development Prospects Group.

GDH paints two scenarios, based on the speed of convergence between the developed and developing worlds in per capita income levels, and the pace of structural transformations (such as financial development and improvements in institutional quality) in the two groups.

Scenario one entails a gradual convergence between the developed and developing world while a much more rapid scenario is envisioned in the second.

The gradual and rapid scenarios predict average world economic growth of 2.6 percent and 3 percent per year, respectively, during the next two decades; the developing world's growth will average an annual rate of 4.8 percent in the gradual convergence scenario and 5.5 percent in the rapid one.

In both scenarios, developing countries' employment in services will account for more than 60 percent of their total employment by 2030 and they will account for more than 50 percent of global trade.

This shift will occur alongside demographic changes that will increase demand for infrastructural services. Indeed, the report estimates the developing world's infrastructure financing needs at $14.6 trillion between now and 2030.

The report also points to aging populations in East Asia, Eastern Europe and Central Asia, which will see the largest reductions in saving rates. Demographic change will test the sustainability of public finances and complex policy challenges will arise from efforts to reduce the burden of health care and pensions without imposing severe hardships on the old.

In contrast, Sub-Saharan Africa, with its relatively young and rapidly growing population as well as robust economic growth, will be the only region not experiencing a decline in its saving rate.

In absolute terms, however, saving will continue to be dominated by Asia and the Middle East. In the gradual convergence scenario, in 2030, China will save far more than any other developing country -- $9 trillion in 2010 dollars -- with India a distant second with $1.7 trillion, surpassing the levels of Japan and the United States in the 2020s.

As a result, under the gradual convergence scenario, China will account for 30 percent of global investment in 2030, with Brazil, India and Russia together accounting for another 13 percent. In terms of volumes, investment in the developing world will reach $15 trillion (in 2010 dollars), versus $10 trillion in high-income economies. China and India will account for almost half of all global manufacturing investment.

"GDH clearly highlights the increasing role developing countries will play in the global economy. This is undoubtedly a significant achievement. However, even if wealth will be more evenly distributed across countries, this does not mean that, within countries, everyone will equally benefit," said Maurizio Bussolo, Lead Economist and lead author of the report.

The report finds that the least educated groups in a country have low or no saving, suggesting an inability to improve their earning capacity and, for the poorest, to escape a poverty trap.

"Policy makers in developing countries have a central role to play in boosting private saving through policies that raise human capital, especially for the poor," concluded Bussolo.

Regional highlight:
Latin America and the Caribbean

Latin America and the Caribbean, a historically low-saving region, may become the lowest-saving region by 2030. Although demographics will play a positive role, as dependency ratios are projected to fall through 2025, financial market development (which reduces precautionary saving) and a moderation in economic growth will play a counterbalancing role.

Similarly, the rising and then falling impact of demography on labor force growth means that the investment rate is expected to rise in the short run, and then gradually fall. However, the relationship between inequality and saving in the region suggests an alternative scenario. As in other regions, poorer households tend to save much less; thus, improvements in earning capacity, rising incomes, and reduced inequality have the potential not only to boost national saving but, more importantly, to break poverty traps perpetuated by low saving by poor households.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World population projected to reach 9.6 billion by 2050

India expected to become world's largest country, passing China around 2028, while Nigeria could surpass the United States by 2050.

The current world population of 7.2 billion is projected to increase by almost one billion people within the next twelve years, reaching 8.1 billion in 2025 and 9.6 billion in 2050, according to a new United Nations report, ***World Population Prospects: The 2012 Revision.***

Most of the population growth will occur in developing regions, which are projected to increase from 5.9 billion in 2013 to 8.2 billion in 2050. During the same period, the population of developed regions will remain largely unchanged at around 1.3 billion people. Growth is expected to be most rapid in the 49 least developed countries, which are projected to double in size from around 900 million inhabitants in 2013 to 1.8 billion in 2050.

At the country level, much of the overall increase between now and 2050 is projected to take place in high-fertility countries, mainly in Africa, as well as countries with large populations such as India, Indonesia, Pakistan, the Philippines and the United States.

"Although population growth has slowed for the world as a whole, this report reminds us that some developing countries, especially in Africa, are still growing rapidly," said Wu Hongbo, the UN Under-Secretary-General for Economic and Social Affairs.

Fertility higher than expected

Compared to the UN's previous assessment of world population trends, the new projected total population is higher, particularly after 2075. Part of the reason is that current fertility levels have been adjusted upward in a number of countries as new information has become available.

Press Conference on World Population Prospects: 2012 Revision

John Wilmoth (right), Director of the Population Division, UN Department of Economic and Social Affairs (DESA), briefs journalists on "World Population Prospects: The 2012 Revision", which includes new projections on population, fertility, life expectancy and more. On his right is François Pelletier, Chief, Population Estimates and Projections Section, DESA. Photo: UN/Mark Garten

In 15 high-fertility countries of sub-Saharan Africa, the estimated average number of children per woman has been adjusted upwards by more than 5 per cent.

"In some cases, the actual level of fertility appears to have risen in recent years; in other cases, the previous estimate was too low," said John Wilmoth, Director of the Population Division in the UN's Department of Economic and Social Affairs.

In addition, slight modifications to the expected fertility trajectories of a few populous countries have led to higher projections of their future population size. Another contributing factor is a more rapid increase in life expectancy at birth anticipated for several countries: longer life, like higher fertility, generates larger populations. Advances in methodology have also contributed to changes in projected population trends.

Give or take a billion

Most results presented are based on the UN's "medium-variant" projection, which assumes a substantial reduction in the fertility levels of intermediate- and high-fertility countries in the coming years. For these countries, it is assumed that the pace of future fertility decline will be similar to that observed for other countries, mostly in Asia and Latin America, when they underwent similar declines during the second half of the 20th century.

"The actual pace of fertility decline in many African countries could be faster or slower than suggested by this historical experience," Mr. Wilmoth said. "Small differences in the trajectory of fertility over the next few decades could have major consequences for population size, structure and distribution in the long run."

The "high-variant" projection, for example, which assumes an extra half of a child per woman (on average) than the medium variant, implies a world population of 10.9 billion in 2050. The "low-variant" projection, where women, on average, have half a child less than under the medium variant, would produce a population of 8.3 billion in 2050. Thus, a constant difference of only half a child above or below the medium variant would result in a global population of around 1.3 billion more or less in 2050 compared to the medium-variant forecast.

More and more large countries

The new projections include some notable findings at the country level. For example, the population of India is expected to surpass that of China around 2028, when both countries will have populations of around 1.45 billion. Thereafter, India's population will continue to grow for several decades to around 1.6 billion and then decline slowly to 1.5 billion in 2100. The population of China, on the other hand, is expected to start decreasing after 2030, possibly reaching 1.1 billion in 2100.

Nigeria's population is expected to surpass that of the United States before the middle of the century. By the end of the century, Nigeria could start to rival China as the second most populous country in the world. By 2100 there could be several other countries with populations over 200 million, namely Indonesia, the United Republic of Tanzania, Pakistan, the Democratic Republic of the Congo, Ethiopia, Uganda and Niger.

RENEWABLE ENERGY: World Invests US$244 billion in 2012

Geographic Shift to Developing Countries

Global demand for renewable energy continued to rise during 2011 and 2012, supplying an estimated 19% of global final energy consumption in 2011 with a little less than half from traditional biomass.

For only the second time since 2006, global investments in renewable energy in 2012 failed to top the year before, falling 12% mainly due to dramatically lower solar prices and weakened US and EU markets, says the Frankfurt School – UNEP/BNEF report, Global Trends in Renewable Energy Investment 2013.

However, with $244 billion (including small hydro-electric projects) 2012 was the second highest year ever for renewable energy investments. There was a continuing upward trend in developing countries, with investments in the South topping $112 billion versus $132 billon in developed countries—a dramatic change from 2007, when developed economies invested 2.5 times more in renewables (excluding large hydro) than developing countries. The gap has now closed to just 18%.

In terms of power generation capacity, 2012 was another record year with 115 GW of new renewables installed worldwide, equivalent to just over half of total net additions.

REN21's ***Renewables 2013 Global Status Report*** demonstrates that the right policies can drive the successful integration of larger shares of renewables in the energy mix. Of the 138 countries with renewables targets or policies in place, two-thirds are in the developing world. The geographical distribution of renewables deployment is also widening, particularly in the developing countries.

Total renewable power capacity worldwide exceeded 1,470 GW in 2012, up 8.5% from 2011. Wind power accounted for about 39% of renewable power capacity added followed by hydropower and solar PV, which each accounted for approximately 26%. Solar PV capacity reached the 100 GW milestone, surpassing bio-power to become the third largest renewable technology in terms of capacity in operation, after hydro and wind.

In the lead is China, which in 2012 consolidated its position as the world's dominant renewable energy market player—up 22%, an equivalent of $67 billion, thanks largely to a jump in solar investment.

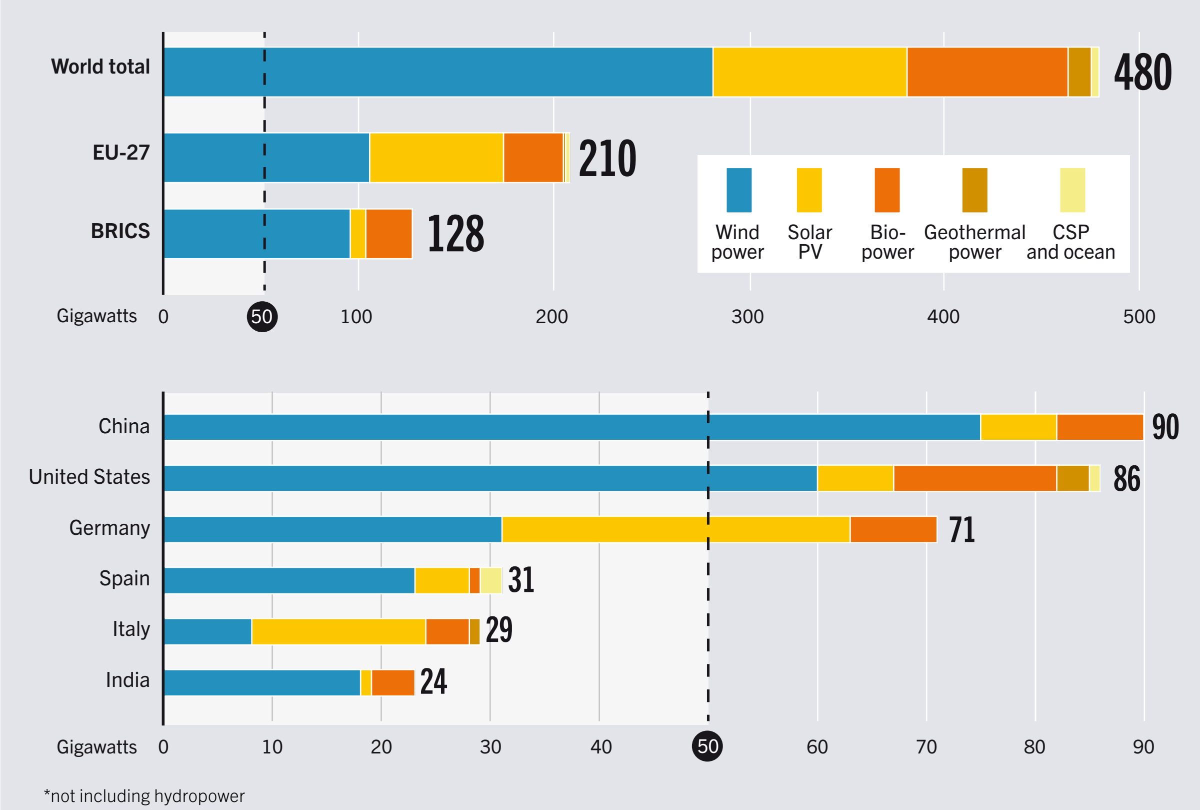
Elsewhere there were particularly sharp increases in South Africa, Morocco, Mexico, Chile and Kenya, with Middle East and Africa showing the highest regional growth of 228% to $12 billion.

This development is particularly encouraging in view of the interlinked nature of the UN Secretary General's Sustainable Energy for All objectives of universal access to modern energy services, and the doubling of both the global rate of improvement in energy efficiency and the share of renewable energy in the global energy mix by 2030.

In 2012, an estimated 5.7 million people worldwide worked directly or indirectly in the renewable energy sector. Although a growing number of countries invest in renewable energy, the bulk of employment remains concentrated in a relatively small number of countries, including Brazil, China, India, members of the EU, and the US.

Employment is flourishing in other countries, and there is an increasing number of technical and sale jobs, particularly in the off-grid sector in the developing world.

FIGURE 4. RENEWABLE POWER CAPACITIES* IN WORLD, EU-27, BRICS, AND TOP SIX COUNTRIES, 2012



CLICK CHART TO VIEW FULL REPORT

Source: Renewable Energy Policy Network for the 21st Century (REN21). Renewables 2013: Global Status Report.

Can you bank on it?

By Sirius Mann

Let's get one thing very straight here. I am not against banks. Some of my best friends have worked in banks. Heck, I even sat next to a bank manger once and she seemed to be just like the rest of us.

Seriously now, I am not going to bring up the savings and loans débâcle in the US in the 1980s and 1990s that robbed ordinary hard working Americans of their homes while the "money lenders" continued their lavish lifestyles. I'm not going to mention the global financial crisis of 2007-2008 for which the banking and financial sectors played a significant role. I would not dream of pointing out how bankers, with million dollar salaries, messed up and governments (read taxpayers) had to bail them out because "they are too big to fail". Of course some in the financial sector even believed they were "too clever to fail." Not far down the road some of those bankers decided it was time to reward themselves with obscene bonuses.

Oh yes, the Caribbean where insurances companies and credit unions can be allowed to balloon into multi-billion dollar monsters devouring almost every type of business under the sun. When the excrement hits the fan governments (read taxpayers) had to clean up the mess.

No, I'm not going to mention any of that. What I am going to complain about is the treatment, or rather ill treatment and disrespect, thinly disguised as customer service in the banking and financial sector.

I had set up a direct debit to pay some bills. Checking my statement I realised the bills had not been paid. I queried my bank and the response was "Are you sure you filled out all the forms? Who was the Customer Service Rep you dealt with?" I supplied all relevant information even down to the date and time I was in the bank to set it up. I received an apology and assurance that it would be sorted out in 5 working days.

One month passed, no change. Another apology, "We will organise everything for you within the next 24 hours."

Five weeks later and after being advised that my bills were now overdue (and subject to late fees) the bank still had not got their act together. "So sorry Mr. Mann, we have been having a few issues with standing orders and direct debits since the new system was set up" a supervisor confided. I cancelled all standing orders and direct debits and made alternate arrangements.

Every month I transfer funds from my business account to another account to handle personal affairs. For 10 years the transaction has taken only one day. Recently, out of the blue, no money was transferred and when questioned the bank said "Oh, we have a new system in place. Cheques are handled off-site and even if it's for the same branch it will take 4 days."

Hey it's not just me, people were not able to collect their salaries on time that month. Was the public informed of this change? NO. The bank spends millions of dollars each year advertising a bunch of foolishness. You mean they couldn't have spent a piece of change to place ads in the media and inform customers two weeks prior to the switch? ARRGH!

Then at another branch a client deposited a cheque payment to my account. After a week it hadn't landed in my account. I called. "Mr. Mann, are you sure your client paid you? Maybe they dropped it in the wrong box. Maybe they forget to put your account number on the deposit slip." I explained it was deposited at a teller and they had taken a photo of the deposit slip with a mobile phone and emailed it to me.

"In fact I am looking at it as we speak" I said.

On hearing I had proof, the tone of the bank representative changed, "Oh dear. I really don't know how this could have happened. I'll get back to you." Turns out the cheque was deposited to someone else's account.

Then an error in the "new system" caused a charge to be applied to my account every time I wrote a cheque. I queried this and was told it was the fault of the bank and would be sorted out. Four months later I was still being charged every time I wrote a cheque. I was advised the supervisor would have all the charges calculated and I would be refunded. Another two months passed... nothing. Eventually the charges stopped. Did I get the refund, now totalling several hundred dollars? No. However, last month my account was overdrawn by $45 and the bank immediately slapped me with a $25 fee.

After proudly announcing significant profits and bonuses for the top brass, the bank advised customers that fees on chequeing and savings accounts for personal and commercial customers will soon be increased. Go figure. Can anyone tell me what's going on?

I would change banks in a heartbeat if it wasn't for the fact that I hear similar (and far worse stories) from customers at other banks. Could those millions of dollars the banks spend on promoting themselves be aimed at hoodwinking us into thinking they actually care about us?

There have been occasions when my bank has been a good friend and helped me out (of course making sure they profited from the arrangement more than I did, but that's business). Nonetheless, unpleasant stories abound of shabby customer service at banks. Could the solution be more staff training? It's not just front-line staff who should be trained, but also those at the very top, the bosses with their obsession with profit and providing value for the shareholder. Training is needed, not just in counting money and interfacing with banking technology and systems, but in how to interface respectfully with ALL customers or clients.

We are not obliged to accept sub-standard service. In some counties organisations have been set up to demand better customer service from the banking sector. Websites have been launched best described as "Customer Service Halls of Shame" and "Name and Shame Bad Customer Service Companies." What are we going to do?

Sirius Mann will be wearing his best suit and broadest smile the next time he visits his bank.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