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Artigos de Conjuntura Global

Managing the Risks of a Rising Dollar (Mohamed El-Erian – 14/05/2018)

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Argentinian President Mauricio Macri's government has asked the International Monetary Fund for a loan that it hopes can stem a peso rout that has driven up interest rates, will slow the economy, and threatens the reform program. This reversal of fortune for the economy partly, though far from fully, reflects broader pressure created by the US dollar's recent appreciation – a process that is set to accelerate, because both monetary-policy and growth differentials are now favoring the United States.

For a while now, the US Federal Reserve has been well ahead of other systemically important central banks in normalizing monetary policy – that is, raising interest rates, eliminating large-scale asset purchases, and starting the multi-year process of shrinking its balance sheet. This was amplified this year by another catalyst of the dollar's recent appreciation; a growing, and less favorable, divergence between economic data and expectations in the rest of the world.

During most of 2017, markets were scrambling to catch up to indications of growth outside the US that were markedly more favorable than anticipated. As a result, the most widely followed measure of a trade-weighted dollar index depreciated by 10% last year. Capital flows into Europe and major emerging economies picked up, as investors sought to benefit from the expansion, while enjoying both higher yields and the possibility of capital gains from currency moves.

But, in recent months, measures of economic "surprises" have turned negative, as growth momentum has weakened in Europe and beyond. To cite one dramatic example, declining economic indicators caused the implied market pricing of an interest-rate hike ahead of the Bank of England's policy meeting this month to plummet from over 90%, or a near-certainty, to 20% in just a few weeks.

Now, there is less external capital chasing returns in Europe and the emerging economies, and some that was there has already flowed back home. So economic and financial factors can be expected to continue to fuel the appreciation of the US dollar. The only way to ease that upward pressure, and to mitigate spillovers, is with effective policy responses.

The good news is that there are sufficient tools to reduce the risk of dislocations. But there is a need for broader implementation within individual economies, and better coordination across borders.

To be sure, some may view the US dollar's appreciation as consistent with a longer-term rebalancing of the global economy. But, as Argentina's situation demonstrates, excessively sharp and sudden appreciation of such a systemically important currency risks unbalancing things elsewhere.

Emerging markets have long been particularly vulnerable to this phenomenon. In the run-up to the Asian financial crisis of the 1990s, many emerging economies kept their currencies rigidly pegged to the dollar, and governments tended to borrow heavily in dollars, despite generating most of their revenues in the domestic currency (what economists labeled "original sin").

As the dollar appreciated in international markets, these economies became less competitive and experienced sharp deteriorations in their current-account positions. Actual and potential capital outflows forced central banks to raise local interest rates, intensifying economic contractionary pressures and undermining the creditworthiness of the domestic corporate sector. Currency devaluation was not an easy option, either, as it would boost inflation and send the costs of servicing external debts soaring to prohibitively high levels.

Many developing countries now have flexible exchange rates, and, by shifting to domestic sources of borrowing, they have reduced the currency mismatches associated with their liabilities. Yet two vulnerabilities remain.

First, the recent extraordinary period of repressed volatility in financial markets, ultra-low interest rates, and dollar weakness unleashed another surge of capital flows to emerging countries, including "tourist dollars," which tend to flow right back out at the first sign of trouble. Second, empowered by exceptionally generous global financing conditions, a growing number of emerging-market corporates have resorted to external dollar borrowing, materially increasing their financial vulnerability to higher interest rates and adverse currency moves.

Externally driven changes in financial variables have thus become a source of serious risk, especially in countries, like Argentina, with a history of economic mismanagement, large current account deficits, other financial imbalances, and a habit of pursuing too many objectives with too few instruments. With the emerging-market economies still structurally subject to short-term risks of contagion, it is usually just a matter of time until a few countries' problems result in a tightening of financial conditions for the asset class as a whole.

Beyond challenging emerging markets' stability, a sudden and sharp appreciation of the US dollar – and, specifically, the losses in trade competitiveness that it causes – threatens to complicate already-delicate trade negotiations. In particular, efforts to modernize the North American Free Trade Agreement (NAFTA) and to establish fairer trade relations between the US and China could be put at risk.

Against this background, policymakers should be implementing measures that take pressure off foreign-exchange markets. This includes, first and foremost, pro-growth policies, particularly for Europe, which, despite recent economic gains, faces significant structural headwinds. Emerging economies, meanwhile, should focus on maintaining solid balance sheets, improving their understanding of market dynamics, and safeguarding policy credibility.

Country-level measures should be reinforced by better global policy coordination, especially to help avoid or break vicious cycles. The IMF, which may soon face more requests for financing, has an important role to play here. Using a bit of extra precaution now is obviously preferable to risking a mess that will need to be cleaned up later.

Fonte: EL-ERIAN, Mohamed. "Managing the Risks of a Rising Dollar"
Disponível em: <https://www.project-syndicate.org/commentary/us-dollar-appreciation-risks-policy-response-by-mohamed-a--el-erian-2018-05> Acesso em 17 de Maio de 2017.

The Double Standard of America's China Trade Policy (Dani Rodrik – 10/05/2018)

Dani Rodrik is Professor of International Political Economy at Harvard University's John F. Kennedy School of Government. He is the author of The Globalization Paradox: Democracy and the Future of the World Economy, Economics Rules: The Rights and Wrongs of the Dismal Science, and, most recently, Straight Talk on Trade: Ideas for a Sane World Economy.

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A high-profile United States trade delegation appears to have returned empty-handed from its mission in China. The result is hardly a surprise, given the scale and one-sided nature of the US demands. The Americans pushed for a wholesale remaking of China's industrial policies and intellectual property rules, while asking China's government to refrain from any action against Trump's proposed unilateral tariffs against Chinese exports.

This is not the first trade spat with China, and it will not be the last. The global trading order of the last generation – since the creation of the World Trade Organization in 1995 – has been predicated on the assumption that regulatory regimes around the world would converge. China, in particular, would become more "Western" in the way that it manages its economy. Instead, the continued divergence of economic systems has been a fertile source of trade friction.

There are good reasons for China – and other economies – to resist the pressure to conform to a mold imposed on them by US export lobbies. After all, China's phenomenal globalization success is due as much to the regime's unorthodox and creative industrial policies as it is to economic liberalization. Selective protection, credit subsidies, state-owned enterprises, domestic-content rules, and technology-transfer requirements have all played a role in making China the manufacturing powerhouse that it is. China's current strategy, the "Made in China 2025" initiative, aims to build on these achievements to catapult the country to advanced-economy status.

The fact that many of China's policies violate WTO rules is plain enough. But those who derisively call China a "trade cheat" should ponder whether China would have been able to diversify its economy and grow as rapidly if it had become a member of the WTO before 2001, or if it had slavishly applied WTO rules since then. The irony is that many of these same commentators do not hesitate to point to China as the poster boy of globalization's upside – conveniently forgetting on those occasions the degree to which China has flouted the global economy's contemporary rules.

China plays the globalization game by what we might call Bretton Woods rules, after the much more permissive regime that governed the world economy in the early postwar period. As a Chinese official once explained to me, the strategy is to open the window but place a screen on it. They get the fresh air (foreign investment and technology) while keeping out the harmful elements (volatile capital flows and disruptive imports).

In fact, China's practices are not much different from what all advanced countries have done historically when they were catching up with others. One of the main US complaints against China is that the Chinese systematically violate intellectual property rights in order to steal technological secrets. But in the nineteenth century, the US was in the same position in relation to the technological leader of the time, Britain, as China is today vis-à-vis the US. And the US had as much regard for British industrialists' trade secrets as China has today for American intellectual property rights.

The fledgling textile mills of New England were desperate for technology and did their best to steal British designs and smuggle in skilled British craftsmen. The US did have patent laws, but they protected only US citizens. As one historian of US business has put it, the Americans "were pirates, too."

Any sensible international trade regime must start from the recognition that it is neither feasible nor desirable to restrict the policy space countries have to design their own economic and social models. Levels of development, values, and historical trajectories differ too much for countries to be shoehorned into a specific model of capitalism. Sometimes domestic policies will backfire and keep foreign investors out and the domestic economy impoverished. At other times, they will propel economic transformation and poverty reduction, as they have done on a massive scale in China, generating gains not just for the home economy but also for consumers worldwide.

International trade rules, which are the result of painstaking negotiations among diverse interests – including, most notably, corporations and their lobbies, cannot be expected to discriminate reliably between these two sets of circumstances. Countries pursuing harmful policies that blunt their development prospects are doing the greatest damage to themselves. When domestic strategies go wrong, other countries may be hurt; but it is the home economy that pays the steepest price – which is incentive enough for governments not to pursue the wrong kind of policies. Governments that worry about the transfer of critical technological know-how to foreigners are, in turn, free to enact rules prohibiting their firms from investing abroad or restricting foreign takeovers at home.

Many liberal commentators in the US think Trump is right to go after China. Their objection is to his aggressive, unilateralist methods. Yet the fact is that Trump's trade agenda is driven by a narrow mercantilism that privileges the interests of US corporations over other stakeholders. It shows little interest in policies that would improve global trade for all. Such policies should start from the trade regime's Golden Rule: do not impose on other countries constraints that you would not accept if faced with their circumstances.

Fonte: RODRIK, Dani. "The Double Standard of America's China Trade Policy" Disponível em: <https://www.project-syndicate.org/commentary/american-trade-policy-double-standard-by-dani-rodrik-2018-05> Acesso em 17 de Maio de 2018.

China and the Future of Democracy (Barry Eichengreen – 10/05/2018)

Barry Eichengreen is Professor of Economics at the University of California, Berkeley, and a former senior policy adviser at the International Monetary Fund. His latest book is The Populist Temptation: Economic Grievance and Political Reaction in the Modern Era.

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Will China soon be the world's leading economic and geopolitical power? Has it achieved this status already, as some suppose? And if the answer to either question is yes, what are the global implications for the future of democracy?

The indicators of China's rise are clear. China is poised to overtake the United States in terms of aggregate GDP within two decades, although forecasting precisely when depends on what one assumes about the growth rates of the two economies and the exchange rate used to convert renminbi into dollars. China is already the world's leading trading economy, and its push to internationalize the renminbi has resulted in a growing share of that trade being settled in its own currency, potentially challenging the dollar's position as the leading global currency.

Moreover, China is pumping foreign investment into economies across Africa and South Asia, obtaining military bases and other geostrategic assets in return from its heavily indebted commercial partners. Its Belt and Road Initiative is further fueling China's outward investment and deepening its economic links with countries across the Eurasian landmass.

And then there is China's soft power: its school programs, cultural exchanges, museum exhibitions, and UNESCO projects.

This growing geostrategic influence, rising soft power and, above all, continued economic success suggest that other countries will see China as a model to emulate. They will be attracted to its political model, which eschews the chaos of Western democracy in favor of centralized administrative control. The attractions are even more alluring against the backdrop of the Trump administration's incoherent approach to governing, the British Tories' shambolic efforts to manage Brexit, and Italy's inability to form a government, to cite just three examples of democratic disarray.

By contrast, the more power, prosperity, and stability China projects, the greater the appeal of its authoritarian model. Observers in emerging and developing countries are apt to note that decisions are costly to reach and difficult to sustain in democratic systems. Both the process and results are unreliable. China's approach, which has delivered the goods for two generations now, has more going for it, especially from the perspective of poor countries where sustained growth is the priority.

This makes it inevitable, it is said, that more countries will emulate Chinese governance. And this observation casts grave doubt on the future of democracy.

But this confident forecast misses a key point. Democracy may be messy, but it contains a built-in course-correction mechanism. When policy goes awry, the incumbents responsible for the mistake can be, and often are, voted out of office, to be replaced, in principle at least, by more competent rivals.

An authoritarian regime has no such automatic adjustment mechanism. Autocratic leaders will not give up power easily, and may choose, in their wisdom, to double down on failed policies. There is no orderly way of compelling them to do otherwise. A popular uprising, like the Solidarity movement in Poland, or a revolt of the nomenklatura, such as in the Soviet Union, can force the issue. But this typically happens only when an extended political and policy stalemate must be broken – and it often comes at a high cost in terms of public violence and loss of life.

Moreover, the idea that China's leaders will continue to avoid serious policy errors indefinitely, and that their capacity as crisis managers will never be tested is, quite simply, fanciful. Any one of a number of shocks – the failure of a heavily-indebted corporation, revelations of hidden problems in Chinese financial institutions, a spike in global energy prices, or a serious geopolitical event – could bring growth tumbling down. The opening of China's financial markets heightens the economy's exposure to volatile capital flows and increases the scope for capital flight. And China, close as it is to North Korea, is not in a good geopolitical neighborhood.

In short, stuff happens, and if Chinese leaders do not manage the fallout well when it does, the public could turn against them. How the regime responds in that case will tell the tale. And it could be a tale – can you say "Tiananmen Square"? – that no government wants to reprise at home.

China, clearly, is emerging as a world power, even more quickly than it otherwise would, to the extent that the US is coming to be seen as an unreliable partner concerned only with advancing its own interests – at the expense, if necessary, of other countries. But the belief that China will continue growing at mid-single-digit rates for an extended period violates the first rule of forecasting: don't extrapolate the present into the future. At some point, China will hit bumps in the road, and there is no guarantee that its leaders will admit their failures and adjust policy accordingly.

At that point, the Chinese model of strong political control will appear less alluring to other countries, especially if the regime clamps down hard on civil society. Democracy, then, may have a future after all.

Fonte: EICHENGREEN, Barry. "China and the Future of Democracy"
Disponível em: <https://www.project-syndicate.org/commentary/china-future-of-democracy-by-barry-eichengreen-2018-05> Acesso em 17 de Maio de 2018.

The Death of Acceleration - Wonkish (Paul Krugman – 11/05/2018)

Paul Krugman joined The New York Times in 1999 as an Op-Ed columnist. He is distinguished professor in the Graduate Center Economics Ph.D. program and distinguished scholar at the Luxembourg Income Study Center at the City University of New York. In addition, he is professor emeritus of Princeton University's Woodrow Wilson School.

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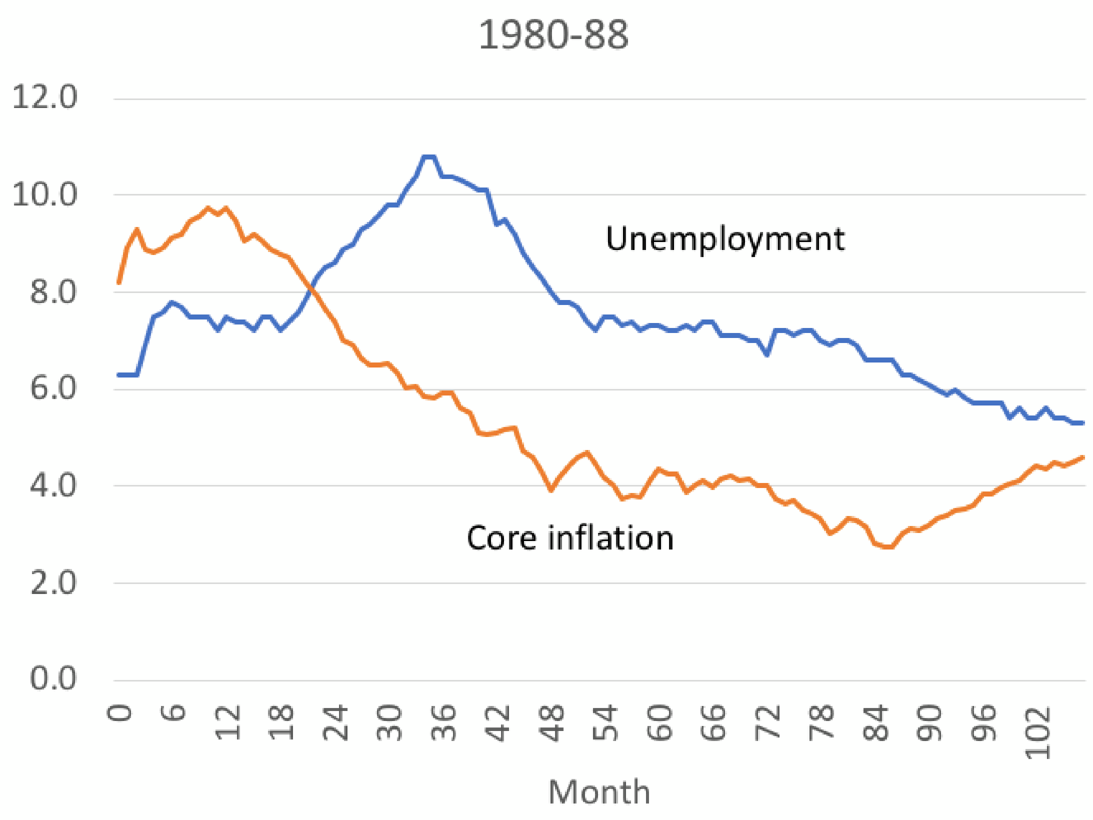
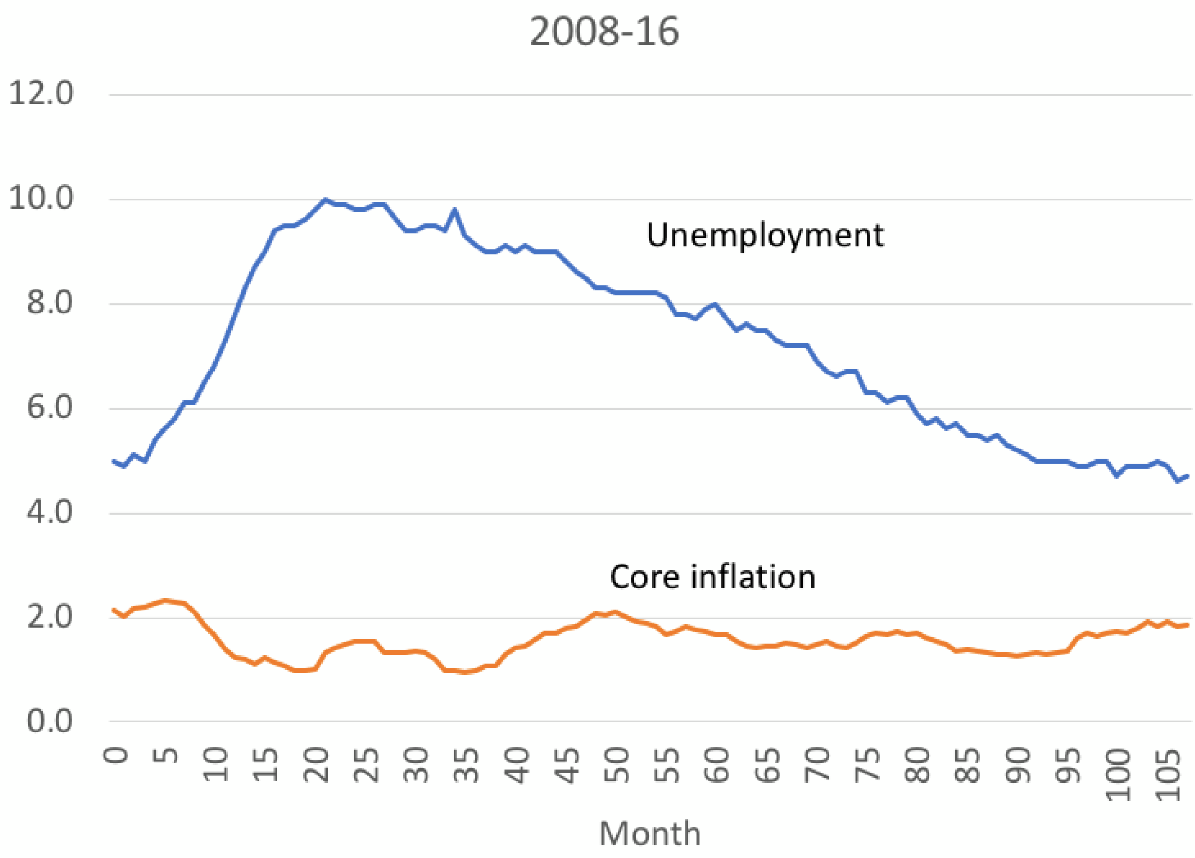
I'm currently sitting in a room full of men in grey suits, talking about monetary and fiscal policy. And I thought I'd take another stab at an issue I've raised before: the natural rate hypothesis – the claim that there is a unique rate of unemployment consistent with stable inflation.

Underlying the natural rate hypothesis is "accelerationism": the idea that low unemployment will lead not just to high inflation, but to accelerating inflation, and conversely that high unemployment will not just reduce inflation but lead to ever-falling inflation.

Accelerationism used to look like a pretty good description of inflation experience. Consider the big slump of the early 1980s. Unemployment soared for a while, then came back down to about where it started. Inflation, however, didn't go back to where it started: it came down by about 5 percentage points:



But that was a long time ago. Consider what happened after the financial crisis of 2008. As in the 1980s, unemployment soared for a while, then eventually came back down. But inflation barely moved at all; in particular, it ended the cycle just about where it started:



The thing is, the Fed and other central banks still basically operate with an accelerationist framework. When will they adapt to reality?

Fonte: KRUGMAN, Paul. "The Death of Acceleration - Wonkish"
Disponível em: <https://www.nytimes.com/2018/05/11/opinion/the-death-of-acceleration-wonkish.html?rref=collection%2Fcolumn%2Fpaul-krugman&action=click&contentCollection=opinion&region=stream&module=stream_unit&version=latest&contentPlacement=3&pgtype=collection> Acesso em 17 de Maio de 2018.

The Debt Shackles Return (Michael Heise – 15/05/2018)

Michael Heise is Chief Economist of Allianz SE and the author of Emerging From the Euro Debt Crisis: Making the Single Currency Work.

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Global growth is accelerating. But before we break out the champagne, we should acknowledge the long-term risks to sustained expansion posed by rising private and public debt.

Market analysts view the uptick in private lending in most emerging and some developed economies as a sign of higher demand and a precursor of faster growth. But, while this is true in the short run, the relentless rise of overall debt remains among the most serious problems burdening the global economy.

Despite years of deleveraging after the 2008 global financial crisis, debt remains very high – and yet we have now returned to an expansionary credit cycle. According to the Bank for International Settlements, total non-financial private and public debt amounts to almost 245% of global GDP, having risen from 210% before the financial crisis and around 190% at the end of 2001.

General government borrowing in the United States may reach 5% of GDP this year, pushing total public debt to about 108% of GDP. In the eurozone, public debt stands at about 85% of GDP; in Japan, the debt-to-GDP ratio registers close to an eye-popping 240%. Globally, private non-financial debt is growing faster than nominal GDP.

These trends are set to continue, as many major central banks – including the European Central Bank and the Bank of Japan – have not just welcomed the recovery in lending, but are even aiming to stimulate more credit-financed growth. Only the US Federal Reserve and the People's Bank of China are taking steps to rein in bank lending.

The world has endured enough economic crises to know that high debts create serious risks. Nominal debt is fixed, but asset prices can collapse, generating huge balance-sheet losses and causing risk premia – and thus borrowing costs – to rise. A mere decade ago, when a credit-fueled financial boom turned to bust, the financial sector was pushed to the brink of collapse, and a years-long recession followed in much of the world.

The only sustainable debt burden is one that can be managed even during cyclical downturns. Yet governments continue to repeat the same mistakes, treating debt as a boon for long-term growth, rather than what it is: a heavy burden and a source of massive long-term risks.

It is time for policymakers and their economic advisers to recognize this, and abandon the assumption that more debt always leads to more growth. Though there are times when governments need to borrow to stimulate the economy, deficit spending cannot lift growth in the long term. And at times when growth rates and private-sector borrowing are rising – times like now – governments should be working to reduce their own deficits. This is relevant for the US and Japan, but also for European Union countries, which should take advantage of today's recovery – the strongest in the decade – to bring their public finances in line with the Stability and Growth Pact.

Governments should seek to prevent the buildup of unsustainable debt by stimulating long-term, non-debt-financed growth, using a combination of regulation, trade agreements, investment incentives, and educational and labor-market reforms. In a low-inflation environment like the one prevailing today, central banks can cushion the impact of such reforms through expansionary monetary policies.

But central banks must calibrate their interventions carefully, to ensure that monetary expansion does not encourage the buildup of even more private-sector leverage. This means thinking twice before enforcing negative deposit rates, designed to pressure banks to lend more, or liquidity operations conditioned on bank lending.

A better approach would emphasize the use of forward guidance to influence interest-rate expectations and bond yields. Low yields can fuel asset-price increases and stimulate demand in a range of areas, not only through higher corporate leverage. That said, with asset prices already high and economies growing at a healthy pace, central banks should follow the Fed's lead in gradually unwinding the stimulus programs they initiated after the 2008 crisis.

Moreover, regulators should do more to ensure that private debt is channeled toward productive uses offering decent longer-term returns. This is the lesson from previous debt crises, including the subprime mortgage bubble that triggered the meltdown a decade ago, with devastating consequences for growth and employment.

For example, regulatory authorities can employ macroprudential policies to impose limits on segments of financial markets that are overheating, thereby improving the allocation of capital and stabilizing investment returns. They should take particular care to prevent real-estate bubbles, because real estate constitutes a huge share of overall wealth and a key source of collateral in finance. But the strong rise of low quality leveraged loans should also be a concern.

None of this will be easy for governments, regulators, or central banks. Monetary tightening may slow growth temporarily; preventing the growth of bubbles is notoriously difficult; and the types of structural reforms needed to secure a shift away from debt-fueled growth are hardly ever popular. Today's febrile political environment certainly will not simplify matters.

But the consequences of shying away from such choices could be devastating. The financial cycle will continue to gain momentum, eventually causing asset prices to overshoot fundamentals by a wide margin; leverage ratios will rise even further, and demand will outstrip capacity, spurring inflation.

At that point, an external shock or a decision by central banks to apply the monetary brakes – an inevitable response to mounting exuberance and rising inflation – will lead to a potentially ruinous crash. Financial markets, hopped up on low interest rates and ample liquidity, would take a major hit. Private leverage and public debt levels would suddenly look a lot less sustainable.

Times may be good, but good times are precisely when risks build up. Policymakers cannot say they have not been warned.

Fonte: HEISE, Michael. "The Debt Shackles Return"
Disponível em: <https://www.project-syndicate.org/commentary/growth-debt-deleveraging-crisis-by-michael-heise-2018-05> Acesso em 17 de Maio de 2018.

The threat of secular stagnation has not gone away (Lawrence Summers - 16/05/2018)

Lawrence H. Summers was director of the National Economic Council for President Barack Obama until November 2011. He is currently the Charles W. Eliot University professor at Harvard University and Weil director, Mossavar-Rahmani Center for Business & Government at the Harvard Kennedy School. He served as 27th president of Harvard from July 2001 until June 2006 and has served in a series of senior public policy positions, including secretary of the treasury of the United States, political economist for the President's Council of Economic Advisers and chief economist of the World Bank.

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Unemployment in the US is below 4 per cent and growth in the economy is accelerating. By recent standards growth in Europe and Japan is also strong. In these circumstances many believe the idea of secular stagnation can be written off. Certainly if the phenomenon is defined as the fatalistic view that the economies of the industrialised world are condemned to suffer permanent stagnation with high unemployment, then we are obviously not in a moment of secular stagnation.

However, this is not what Alvin Hansen intended when he coined the phrase, nor what I had in mind when I sought to revive the concept in 2013. Rather the idea of secular stagnation is that the private economy — unless stimulated by extraordinary public actions especially monetary and fiscal policies and, or, unsustainable private sector borrowing — will be prone to sluggish growth caused by insufficient demand.

On this interpretation, the past few years have confirmed the hypothesis.

In the US the Congressional Budget Office forecast, which is comfortably in the mainstream, calls for annual growth of 2.5 per cent over the next three years with growth of 3.3 per cent during 2018. But what is necessary to support this growth? As far as fiscal policy is concerned, the CBO projects growth in actual budget deficits of more than 1 per cent of gross domestic product in 2017-2019, with substantial further increases over time and the most rapid increase in the debt-to-GDP ratio during peak business cycle times than has ever been seen in peacetime.

In terms of monetary policy, indexed bond markets imply that real interest rates will be kept well below 1 per cent for the next 30 years. Meanwhile the economy has been supported by a stock market that has returned 22 per cent in 2017 and an average of 16 per cent over the past five years. This while private sector debt has grown relative to GDP.

If budget deficits had been at normal levels and not growing relative to the economy, real long-term interest rates had been steady in their customary range above 2 per cent and an extra $10tn in wealth had not been created by abnormal stock market returns, it is hard to believe that the US economy would be growing much at all. And it is almost inconceivable that it would be near its 2 per cent inflation target.

Elsewhere in the industrial world Japan's economy is supported by a government debt-to-GDP ratio that hovers around 250 per cent and long-term real rates of less than minus 1 per cent. Europe has seen a reduction in the ratio of government debt to GDP in recent years but like Japan has received extraordinary stimulus from sub minus 1 per cent real interest rates and increases in the flow of private sector credit. Even with this stimulus Europe and Japan have struggled to achieve 2 per cent inflation.

What we are seeing is the achievement of fairly ordinary growth with extraordinary policy and financial conditions. Something similar took place in the years before the Great Recession.

Whether this is sustainable depends on several factors, not least whether private sector demand will autonomously increase as the financial crisis recedes so growth can be maintained with less unorthodox policy and exuberant financial conditions. Perhaps it can, but it is more likely that a combination of rising inequality, slow labour force and productivity growth, and greater competition from developing countries will keep private sector demand subdued.

There is also a question over whether the current policy mix and financial conditions can be maintained indefinitely. This is doubtful for fiscal policy especially in the US. Monetary policies involving low or negative real interest rates may be sustainable over the long term but they are likely to encourage financial risk, unsound lending and asset bubbles with potentially serious implications for medium-term stability.

The greatest concern remains over whether the next downturn can be handled. Traditionally the response to recession in the industrial world has been fiscal expansion and a 500 basis point cut in interest rates. But the fiscal cannon has already been fired in much of the industrial world leaving policymakers short on ammunition.

So secular stagnation as an issue remains very much alive. Current palliatives are appropriate but unlikely to be long-term solutions. The industrial world can hope that investment demands increase and saving needs decline. But policymakers must turn their attention to demand as well as supply issues going forward.

Fonte: SUMMERS, Lawrence. “The threat of secular stagnation has not gone away” Disponível em: <https://www.ft.com/content/aa76e2a8-4ef2-11e8-9471-a083af05aea7> Acesso em 17 de Maio de 2018.

A New Era of Nuclear Uncertainty (Javier Solana – 11/05/2018)

Javier Solana was EU High Representative for Foreign and Security Policy, Secretary-General of NATO, and Foreign Minister of Spain. He is currently President of the ESADE Center for Global Economy and Geopolitics, Distinguished Fellow at the Brookings Institution, and a member of the World Economic Forum’s Global Agenda Council on Europe.

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With the decision to withdraw from the Iran nuclear agreement – formally known as the Joint Comprehensive Plan of Action (JCPOA) – US President Donald Trump’s administration has demonstrated, yet again, that it is determined to destroy major global structures and agreements. The decision will be a massive blow to the 2015 deal, putting the entire world at risk.

The JCPOA – the result of years of difficult negotiations – was agreed by seven countries and the European Union, and unanimously endorsed by the United Nations Security Council. Yet Trump has decided unilaterally to impose “the highest level of economic sanction” on Iran and on “any nation that helps Iran in its quest for nuclear weapons.”

Now, companies and banks from countries that have lived up to their commitments under the JCPOA stand to suffer considerably, as a result of their legitimate business ties with Iran. In other words, the country that is breaking its promises has decided to punish those that have kept theirs.

The JCPOA can still be salvaged. All of the other parties to the agreement have already reaffirmed their commitment to it. But the EU, in particular, must step up to take responsibility for ensuring that the JCPOA survives. While transatlantic relations are a high priority, so is defending multilateralism – and all of its milestones – from reckless and unjustifiable attacks. This is all the more true when those attacks aim not to put “America First,” but to put Trump first.

Trump’s withdrawal from the JCPOA has come at a particularly sensitive moment for international relations. For one thing, nuclear proliferation remains at the top of the agenda on the Korean Peninsula. While some positive steps have lately been taken, the Trump administration, with its incoherent policy approach, may yet squander this opportunity.

South Korean President Moon Jae-in recently met with North Korean leader Kim Jong-un to discuss a formal peace agreement to end the Korean War. The Moon-Kim meeting was a prelude to another extraordinary summit, between Kim and Trump, which will take place on June 12.

The first-ever meeting between a North Korean leader and a sitting US president reflects the significant progress that has been made in the space of just a few months. Lest we forget, 2018 began with Kim and Trump exchanging threats for the umpteenth time, and with Trump going so far as to boast about the size of his “nuclear button.”

Since then, however, the US has relied on diplomacy rather than bombast in handling the North Korean nuclear threat – an approach that has enabled recent progress. And yet, just as newly confirmed US Secretary of State Mike Pompeo was flying to North Korea to meet Kim for a second time, Trump reverted to his antagonistic modus operandi with regard to Iran.

Negotiating with Kim was always going to be extremely challenging, especially given that North Korea, unlike Iran, already possesses nuclear weapons. With America’s diplomatic credibility now undermined by Trump’s violation of the JCPOA, that job will be all the more difficult.

Trump tends to express himself in terms of national interests, sovereignty, military capacities, and economic supremacy. Yet his fixation with Iran has little to do with realpolitik. Rather, it is in keeping with his systematic rejection of all policies associated with his predecessor, President Barack Obama. Beyond that, his JCPOA withdrawal is meant to please Trump’s two favorite allies in the Middle East: Saudi Arabia and Israel – the first two countries he visited as president.

Indeed, when Mohammed bin Salman, Saudi Arabia’s crown prince, visited the White House in March, Trump quickly dispensed with the thorny question of the Saudi-led war in Yemen by denouncing Iranian support for the Houthi rebels. Rather than take the diplomatic initiative to end the fighting and restore stability in Yemen, the Trump administration has continued to fan the flames of an ongoing Saudi-Iranian proxy war that is causing untold suffering and roiling the region.

Similarly, next week the US will move its embassy in Israel from Tel Aviv to Jerusalem. Trump’s announcement of the move in December already generated great unease in the Muslim world (though Iran’s protests were more aggressive than Saudi Arabia’s). The fact that the embassy will be opened precisely on the 70th anniversary of Israel’s declaration of independence will only intensify the controversy. On the following day, Palestinians will mark the Nakba (“catastrophe”), commemorating the mass displacement of the Palestinian population that resulted from the establishment of the State of Israel.

To be sure, the US’s alliances with Saudi Arabia and Israel are not new. But Trump has abandoned the previous administration’s more moderate approach, and thus risks opening a Pandora’s box in the Middle East. Hawks in both countries are now emboldened, as evidenced by Israeli Prime Minister Benjamin Netanyahu’s eccentric attempt to discredit the JCPOA. The same holds true for Iran, where Trump’s withdrawal from the JCPOA plays directly into the hands of hardliners.

The current state of affairs does not bode well for the situation in Syria, where all of the region’s powers have a stake. Israeli and Iranian forces have already clashed in southern Syria, and Netanyahu’s government is now threatening further action in response to reports that Russia may furnish Syrian President Bashar al-Assad with S-300 anti-aircraft missiles.

Trump’s abrogation of the JCPOA will almost certainly fuel the downward spiral of confrontation in the Middle East, while further complicating matters on the Korean Peninsula. More broadly, Trump’s decision could have serious implications for global nuclear nonproliferation efforts, which now face the prospect of backsliding. The stakes in the weeks and months to come could not be higher.

Fonte: SOLANA, Javier. “A New Era of Nuclear Uncertainty”
Disponível em: <https://www.project-syndicate.org/commentary/trump-iran-nuclear-deal-by-javier-solana-2018-05?utm_source=Project+Syndicate+Newsletter&utm_campaign=33a09b0d78-sunday_newsletter_13_5_2018&utm_medium=email&utm_term=0_73bad5b7d8-33a09b0d78-106103571> Acesso em 17 de Maio de 2018.

Corralling the Info-Monopolists (Amar Bidhé – 14/05/2018)

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In a modern capitalist economy, we celebrate innovations that produce market power, but fear the risks of unchecked dominance. Nowhere are those risks more apparent than with today’s information-technology monopolies.

The question of how to encourage transformational, market-dominating innovations while limiting the abuse of market power long precedes the digital age. In the United States, the story of Walmart founder Sam Walton is a case in point. The World War II veteran went from small-town variety-store franchise owner to multi-billionaire mogul, presiding over what would become the world’s largest private employer.

It is a stirring tale of audacity and enterprise, which included innovations – such as establishing distribution centers in sparsely populated regions and building up global supply chains – that business students worldwide now study. And the huge profits Walmart generates for its owners are dwarfed by the value it provides to its customers, who rely on the low prices made possible by the company's ability to buy and sell on a massive scale.

Yet Walmart also stands accused of desolating downtowns, impersonalizing shopping, and depriving small retailers of their livelihoods. In the future, Walmart could use its market power to squeeze customers (though another, more ambitious behemoth, Amazon, would likely get in the way).

So far, Americans have largely tolerated – and even applauded – the creative destruction associated with business innovation, and have been cautious in limiting potential abuses. Despite rules prohibiting "predatory" pricing and "anti-competitive" mergers, price wars and acquisitions that increase market leaders' power are permitted in practice. Legally mandated breakups – such as of Standard Oil in 1911 and AT&T in 1982 – are rare, and regulating prices charged by "natural monopolies" (such as electric utilities) is uncommon.

This innovation-favoring approach has helped to make the US a nursery of world-dominating businesses, and it has not changed with the digital revolution, either. The "info-monopolists" Google and Facebook, faced with few regulatory obstacles, have created unprecedented value for consumers – and have secured massive market power for themselves.

These companies have eviscerated traditional media, though many of the losers were themselves oligopolists or monopolists. When they dominated the airwaves, the US television networks ABC, CBS, and NBC charged advertisers steep rates. The one or two newspapers that dominated in each city or town avoided cutthroat price competition. This helps to explain why the struggles of traditional media – many owned by wealthy families or conglomerates – have spurred even less of a backlash than did Walmart's decimation of independently owned retailers.

Unimpeded growth has no doubt helped to increase the value that Google and Facebook can offer. The more Google searches are conducted, the better the results. The more people who use Facebook, the more reason there is to join. This attracts advertisers, whose payments fund investments in improved technology and added features.

But unchecked market power creates opportunities for abuse, particularly with regard to user privacy. Unlike television networks or newspapers, these digital behemoths don't merely give advertisers an audience; they tailor ads to individual consumers. This is not a benign difference, because in order to tailor ads effectively – thereby maximizing their value to advertisers (and thus profits for the platform) – these companies collect a huge amount of personal data from their users.

Perhaps because most users don't know the details of which data are being collected, they have so far shown a surprisingly high tolerance for online surveillance. Most would be outraged if a mega-discounter bugged shopping carts to find out what should be pitched to a specific customer at the checkout counter, even if it helped keep prices low, and machines, not humans, did the eavesdropping. Yet most users never bother to read, say, Facebook's terms of service before clicking "agree," and are indifferent to how much surveillance is being carried out.

In fact, extensive tracking has become the new normal. The question is no longer whether Facebook should monetize users' personal data, but whether it should be required to pay users for their data or even charge users a fee to opt out of data collection.

But it is not at all clear that these companies can be trusted with the data they collect. Despite Facebook's insistence that it does not sell data to advertisers, the company was recently found to have allowed nearly 90 million users' data to be harvested by the political consultancy Cambridge Analytica. And subsequent testimony before the US Congress by Facebook founder and CEO Mark Zuckerberg did not prove particularly reassuring, given the lack of real information that he provided. Members of Congress – many of whom have received campaign contributions from Facebook – largely limited themselves to denouncing Facebook's carelessness, and Zuckerberg earnestly promised to invest more in security.

But could the data that Facebook or Google accumulates ever really be safe? No matter how much one spends on protecting large databases, it is farfetched to believe that nobody inside or outside such a massive and complex organization could breach it. America's own National Security Agency could not prevent Edward Snowden, a low-level contractor, from walking off with a trove of state secrets on a thumb drive.

In some cases, such as health care or banking, the public benefits of digitally stored data justify the risks. But, for the most part, limiting data collection is a much safer bet than relying on data protection.

Ensuring that today's info-monopolists can legally collect only a very limited amount of personal data – say, what newspapers receive about their subscribers – would protect users, without fatally diminishing the platforms' appeal to advertisers. Without such limitations, the risks these platforms pose may, in users' eyes, begin to outweigh their benefits – a development that could have political implications as far-reaching as the info-monopolists' economic rise.

Fonte: BHIDÉ, Amar. "Corralling the Info-Monopolists"
Disponível em: <https://www.project-syndicate.org/commentary/limit-tech-monopolies-data-collection-by-amar-bhide-2018-05> Acesso em 17 de Maio de 2018.

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