World Bank targets conflict in war against poverty

AFP, *Washington*

Conflict and violence are holding back global economic growth and trapping 1.5 billion people in dire poverty, the World Bank said Sunday, calling for an international effort to break the cycle.

In countries affected by repeated cycles of political and criminal violence, poverty rates are 20 percentage points higher than in other countries, the World Bank said in a new report.

"If we are to break the cycles of violence and lessen the stresses that drive them, countries must develop more legitimate, accountable and capable national institutions that provide for citizen security, justice and jobs," said World Bank president Robert Zoellick.

The 2011 World Development Report examines how conflict and violence affect economic development and the lessons to be learned from countries' successes and failures in overcoming those challenges.

The study ranges from Somalia piracy, continuing violence in Afghanistan and drug trafficking in the Americas to successful political transitions, such as in Northern Ireland and Indonesia.

All over the developing world, it was clear that repeated cycles of violence contributed heavily to the planet's misery, the Bank said.

People living in fragile states are twice as likely to be undernourished and 50 percent more likely to be impoverished. And their children are three times as likely to be out of school, the economists found.

And 42 million people, about the entire population of Canada, are displaced from their homes due to conflict, violence or human rights abuses.

Zoellick, who took the helm of the World Bank in 2007, has made the issue of conflict and violence a key theme of the Bank's work.

AFP

Rebel fighter walk amongst destroyed vehicles belonging to fighters loyal to Libyan leader Moamer Kadhafi at the western gate of the eastern town of Ajdabiya yesterday. The World Bank in its world development report said repeated cycles of conflict and violence in the Middle East and North Africa are affecting global economic development.

"As we are now seeing again in the Middle East and North Africa, violence in the 21st century differs from 20th-century patterns of interstate conflict and methods of addressing them," he wrote in the report.

"Stove-piped" government agencies are ill-suited to cope, the report found. Instead integrated international action is needed on multiple levels.

The report offers a five-point roadmap for action, saying establishing institutional legitimacy was key to stability.

The bank also called for investment in citizen security, justice and jobs; reform of institutions to make them more responsive; and the adoption of a "layered" approach involving multiple levels in addressing a problem.

The fifth point stresses the need for an overarching awareness that the global landscape is changing away from the old model dominated by the rich countries.

The launch of the report "is most timely in view of what's happened in the Middle East and North Africa in the past two months," said Justin Lin, the World Bank's chief economist, at the briefing.

"Conflict, security are not conventional topics for the World Bank and other international development institutions," he said.

"However, conflict and security are closely related to development."

The report, 18 months in the making, drew on resources including the United Nations, experts, national reformers and nongovernmental organizations.

"This past decade has seen the increasing penetration of instability in global life -- in terrorism, an expanding

Unrest slashing Arab economic growth

AFP, *Washington*

Unrest in the Middle East and North Africa is putting the brakes on economic growth in the region that had been expected to accelerate this year, the World Bank said Sunday.

Justin Lin, the World Bank's chief economist, said that research by the development lender's economists showed that economic output in the Middle East and North Africa, was paying a heavy price for the recent wave of anti-regime upheaval.

In its January economic forecasts, the World Bank projected that the region, recovering from the 2009 global downturn, would see gross domestic product (GDP) growth rise from a 3.3 percent rate in 2010 to a 4.3 percent pace in 2011.

"Our estimates show that the impact on the countries, like Egypt and Tunisia, can be a drop of about three percentage point reduction" in their GDP growth, Lin told reporters in a briefing on a new bank report on conflict and development.

"For the region, the Middle East and North African countries, the impact can be about 2.4 percentage point," he said.

Still, "for the global impact, it's not much" because the size of the MENA economy is not large compared on a global scale.

"However, if the oil price, the oil supplies, is affected to a significant degree... then we can have a larger impact," Lin said.

Lin spoke to reporters ahead of the publication Sunday of the Bank's 2011 World Development Report, which focuses on conflict and security issues and their impact on economic health and poverty.

"This launch is most timely in view of what's happened in the Middle East and North Africa in the past two months," he said.

"As you know, conflict, security are not conventional topics for the World Bank and other international development institutions. However, conflict and security are closely related to development."

The report comes in advance of the bank's spring meetings this week with its sister institution, the International Monetary Fund.

The IMF is due to publish its global economic forecasts Monday.

Surprise slowdown in India industrial output

AFP, *New Delhi*

India's industrial output slowed unexpectedly in February, posting a modest rise of 3.6 percent year-on-year as higher interest rates put the brakes on manufacturing, data showed Monday.

Output by factories, mines and utilities was below analysts' forecasts of 5.2 percent and lower than January's 3.95-percent year-on-year growth. It was far below the 15.1-percent growth registered in February 2010.

The slowdown reflects the "aggressive monetary tightening by the Reserve Bank of India (which) discourages businesses from investing," said Matt Robinson, economist at Moody's Analytics.

But economists said India's hawkish central bank, which has raised rates eight times in a year, would ignore the weaker data and continue to tighten monetary policy to tackle inflation, entrenched above eight percent.

Credit Suisse economist Robert Prior-Wandesforde said he doubted "very much" the downbeat data would dissuade the bank from hiking rates again at its next meeting on May 3.

Inflation has been one of the biggest headaches for the embattled Congress-led government, which is also reeling from a slew of corruption scandals.

Poor households, the backbone of the Congress party's support, have been especially hurt by rises in the cost of living.

Manufacturing output, which accounts for 80 percent of the industrial index, rose a scant 3.5 percent in February against a year earlier, down from 16.1 percent registered in February 2010.

India's lacklustre performance contrasted with neighbouring China's industrial production, which expanded by 14.1 percent in the first two months of the year compared with the same period in 2010.

REUTERS

An employee works inside a production site in Gujarat, India.

India's output of capital goods such as construction, factory and other equipment shrank by 18.4 percent year-on-year in February after expanding by 46.7 percent a year earlier as rate hikes made it costlier for businesses to borrow money to invest.

Economists said the fall in capital goods spending was a bad omen for investment spending needed to power overall economic growth.

Businesses said they feared India's growth was losing traction.

"Capacity additions and investments in the industrial, particularly capital goods, sector are critically needed to maintain the industrial growth rate," said Rajiv Kuumar, director general of the Federation of Chambers of Commerce and Industry.

"These are beginning to be impacted both by the higher cost of capital," he said.

India's government expects the economy to expand by 9.0 percent this fiscal year ending in March 2012, beating the previous year's 8.6 percent growth.

But private economists say expansion may slacken to as low as 7.2 percent as resurgent oil prices, a stronger currency and rate hikes cut into growth.

"We remain particularly nervous about the impact of the monetary tightening on interest-rate sensitive parts of the economy," said Prior-Wandesforde.

"The jump in oil and other input prices is also likely to take its toll on profit margins," added the economist, who recently shaved his GDP growth forecast to 7.5 percent from 7.7 percent.

Such growth is enviable by Western standards but it is far below the double-digit levels India's government says are needed to raise the living standards of the country's impoverished millions.

LG India unit sees revenue doubling by 2015

REUTERS, *Greater Noida, India*

The Indian unit of South Korea's LG Electronics expects to double its revenue to $9 billion by 2015, a top executive said, as rising incomes and growing urban households expand the consumer durables market in Asia's third largest economy.

LG Electronics India Pvt Ltd, which sells consumer appliances, IT hardware and mobile devices, also plans to grow its revenue by 25 percent in 2011 and 2012 each, Chief Operating Officer Yasho V Verma told Reuters in an interview, surpassing industry-wide growth estimates.

"Last year this industry grew by about 12 to 13 percent, this year we are expecting it will grow by about 14 percent and next year around that figure," Verma said, speaking at an LG factory on the outskirts of New Delhi.

LG India reported sales of 160 billion rupees ($3.6 billion) in 2010, and expects to touch revenue of 200 billion rupees ($4.5 billion) in 2011.

In addition to the manufacturing plant at Greater Noida near the Indian capital, LG operates a second plant in western India, manufacturing GSM phones, colour televisions, air conditioners, washing machines, refrigerators and optical disc drives.

The company set up its wholly-owned Indian unit in 1997, and has grown to be among the leading brands in the country's fast growing consumer durables market, estimated to have annual sales of 650 billion rupees ($14.7 billion).

British banks 'need to ringfence retail operations'

AFP, *London*

British banks need to ringfence their retail operations from investment bank activities, the Independent Commission on Banking said Monday in a report aimed at preventing more state bailouts.

The ICB, launched last year in the wake of the global financial crisis, also proposed raising capital requirements and recommended that state-rescued Lloyds Banking Group should sell off more assets to boost competition.

"The Commission is ... considering forms of retail ring-fencing under which retail banking operations would be carried out by a separate subsidiary within a wider group," the ICB said in a provisional report.

"This would require universal banks to maintain minimum capital ratios and loss-absorbing debt for their UK retail banking operations, as well as for their businesses as a whole.

"Subject to that, the banks could transfer capital between their UK retail and other banking activities."

Britain's Conservative-Liberal Democrat government formed the Commission last year, shortly after the coalition rose to power in May, sparking speculation it could force a drastic overhaul of the sector.

However, the eagerly-awaited review did not call for banks to be broken up completely, opting instead for the so-called "ring-fencing" that would not allow investment banking losses to threaten the safety of retail operations.

The ICB report is aimed at safeguarding savers' deposits and protecting the state from bailing out more financial institutions.

"Banks ought to face market disciplines without any prospect of taxpayer support, but systemically important banks have had and still enjoyed some degree of taxpayer support. This is the 'too big to fail' problem," it said.

"Unless contained, it gives the banks concerned an unwarranted competitive advantage over other institutions, and will encourage much more risk-taking once market conditions normalise."

A port worker is seen in front of a ship transporting new gantry cranes, imported by the port authority for expansion work, in Colombo yesterday. The Sri Lanka Ports Authority imported 19 new gantry cranes at the cost of $65 million. Sri Lanka's economy expanded by 8 percent in 2010, off a low-base of 3.5 percent in 2009, following the end of decades-long ethnic conflict.

AFP