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US named the world's most competitive economy

The World Economic Forum has released its annual Global Competitiveness Report. The U.S. is ranked most competitive economy for the first time in a decade. WEF warns that governments are not prepared for the Fourth Industrial Revolution. In its Global Competitiveness Index, WEF — known for its annual economic forum in Davos, Switzerland — ranked the U.S. as the most competitive of 140 economies, the first time the nation has reached the top spot in a decade.

Singapore and Germany ranked second and third respectively, with researchers finding the European economy was now less competitive than those in East Asia and the Pacific.

The report mapped the competitiveness of global economies using 98 indicators including workforce diversity, press freedom, labor rights, and disruptive businesses.

US financial system remains competitive

The U.S. was given a competitiveness score of 85.6 out of 100, with its strengths including business dynamism, its labor market, and the financial system. However, the report noted that the U.S. economy was being held back by a weakening social fabric, worsening security, lack of IT adoption, and corruption. It also lagged behind most advanced economies in terms of health, with the country's life expectancy three years below the average of advanced economies.

Singapore, which closely followed the U.S., remained competitive thanks to policies that promoted openness, a key driver for its economic success. Meanwhile Germany, ranked third, scored highly on its macroeconomic stability, but like the U.S., was held back by slow IT adoption.

The U.K. was named the eighth most competitive economy, with WEF praising the quality of its research institutions and workforce diversity but giving the country a lower score for life expectancy and skills.

China, ranked 28th, was the most competitive of the emerging markets, followed by Russia in 43rd place. No other emerging markets were ranked among the 50 most competitive economies.

WEF warned that the global economy was not ready for the Fourth Industrial Revolution — the rise of digital technologies — with 103 of the 140 economies on the index scoring lower than 50 percent for innovation capability."Embracing the Fourth Industrial Revolution has become a defining factor for competitiveness," said Klaus Schwab, WEF's founder and executive chairman, in the report.

"I foresee a new global divide between countries who understand innovative transformations and those that don't. Only those economies that recognize the importance of the Fourth Industrial Revolution will be able to expand opportunities for their people."While it acknowledged the importance of technological innovation, WEF also urged governments to facilitate growth with "openness" policies such as low-tariff barriers and ease of hiring foreign labor. It also made a case for redistributive policies, such as investing in human capital through training schemes, and taxation aimed at tackling inequality.

Saadia Zahidi, the head of WEF's Center for the New Economy and Society, said all countries could become more prosperous if they pursued innovation that didn't come at the expense of "old" developmental issues.

"The Fourth Industrial Revolution can level the playing field for all economies," she said in the report. "But technology is not a silver bullet on its own. Countries must invest in people and institutions to deliver on the promise of technology."

Trade war could cut China's growth by nearly 2 percentage points over two years: IMF

At its worst, the ongoing trade tensions could knock 1.6 percentage points off China's economic growth over the first two years, according to an analysis by the International Monetary Fund. The assessment took into account all current and proposed tariffs on Chinese goods that enter the U.S., as well as knock-on effects the trade tensions have on investor confidence and financial markets. But much of that impact is expected to be offset by the Chinese government's policies to stimulate the economy, noted Changyong Rhee, director of the IMF's Asia and Pacific Department.

The analysis was published in the IMF's Regional Economic Outlook report focusing on the Asia Pacific region. Rhee told reporters that direct economic impact from the tariff fight between the U.S. and China is actually "quite small." What's more detrimental is the hit to investor confidence, which has rattled financial markets and is likely to last for a while, he said.

"This is one of the reasons why we feel that headwinds may last longer," Rhee said. "I don't know what will be the end ... I think the lessons we have taken is how much the global financial markets and real economy are well integrated, no one can be free from such shocks. In the end, there will be no winner from the global trade war," he said in Bali, Indonesia where the IMF and the World Bank are holding their annual meetings.

The U.S. has implemented additional tariffs on around $250 billion worth of Chinese goods that enters its borders, and China has retaliated with extra levies on roughly $110 billion of imports from the U.S. President Donald Trump's administration has said that it would target another $267 billion of Chinese products, which is nearly all of its remaining imports from the Asian giant.

But doing so may delay China's structural reforms, the IMF noted in the report."Macro policies in China have been focused on addressing the economy's significant and longstanding financial vulnerabilities, but the shift toward stabilizing growth may mean slower progress on deleveraging and thus heightened medium-term risks for China and the entire region," the report said.

Eurozone growth slumps to lowest level in more than four years

Economic growth in the eurozone has slumped to levels last seen more than four years ago, after stagnation in Italy helped slow the rate of expansion to 0.2% in the latest quarter. Figures from the EU statistics agency Eurostat showed a marked and unexpected slowdown in the third quarter of 2018, in the latest evidence of an easing of economic activity around the world since the start of the year. Italy, which is at loggerheads with Brussels over its plans for a more expansionary budget, recorded zero growth in the first three months under its new populist government. The country is now at risk of a third recession in a decade.

Aside from the problems in Italy, analysts said the drag on growth across the eurozone was the result of US trade hostilities with China and Europe, uncertainty over Brexit and political instability in countries including Brazil.

Economic growth in China, a major destination for European machine parts and cars, has already slowed this year, in part due to the prospect of a drop in trade with the US.

France, the second-biggest economy in the eurozone, grew 0.4% in the third quarter, twice as fast as in the previous three months. Despite the recovery, however, the country's annual growth rate slipped from 1.7% to 1.5%.

Details of Germany's recent performance have not yet been published, but the figure for the eurozone as a whole suggests Europe's biggest economy also had a weak quarter.

"In Germany, disrupted car production will have dampened GDP growth significantly in the third quarter, weighing on the eurozone average."

Eurozone growth has been boosted in the past four years by quantitative easing – the European Central Bank's money-creation programme – and by the pickup in world trade.

Jessica Hinds of Capital Economics said the disappointing data would not prevent the ECB from calling an end to its bond-buying in December as planned, but would make the bank more cautious about raising interest rates. The commission said the fall in GDP growth coincided with a drop in euro-area business confidence across industry, services and, particularly, retail trade.

Alastair Neame, a senior economist at the CEBR consultancy, said: "The eurozone economy looks set to weaken further as pressure mounts on two fronts. First, with global growth and trade volumes slowing, the positive contribution to growth from trade is looking less reliable, although French estimates of an improved trade balance provide some solace on that front.

"Second, the risk of economic disruption emerging closer to home is also growing. With Brexit negotiations still to be concluded, the UK's imminent departure from the EU threatens supply chains that are deeply embedded across the Eurozone if a deal can't be reached."

Western Asia: Evolving role of the state in the major oil exporting countries

Along the agreed framework among the member countries of the Gulf Cooperation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, VAT is being introduced in these countries. The introduction of VAT marks an historic event not only regarding fiscal revenue diversification but also regarding the social contract between the state and its citizens in respective countries. Economic diversification remains a primary policy goal for GCC countries, and this also requires transitioning away from the simple socioeconomic structure where the primary economic role of the state is to distribute its oil wealth to its citizens. This simple distributive social contract has gradually changed over the last three decades as the share of the non-oil sector in the economies expands, and more citizens become engaged in private sector jobs. However, the concept of direct taxation in the social contract is still new as the GCC citizens have mostly been tax-free until recently. The plunge in oil prices in 2014 pushed the GCC countries to embark on structural reforms in order to cope with both the short-run revenue loss and also to accelerate progress towards long-run economic diversification. The introduction of the VAT has created a valuable administrative infrastructure, which can act as a cornerstone for further economic and fiscal diversification in the GCC countries.

Is the Arctic set to become a main shipping route?

In 2014 the Nunavik became the first cargo ship to go through the Northwest Passage without an icebreaking escort ship leading the way. Climate change is increasingly opening up the Northwest Passage, an Arctic sea route north of the Canadian mainland. Could it herald an era of more cargo shipping around the top of the world? Back in the 19th Century there was a race to map and navigate the Northwest Passage through the Arctic Ocean as a shortcut between the North Atlantic and North Pacific.

Explorers would take ships up Greenland's west coast, and then try to weave through Canada's Arctic islands, before going down the Bering Strait between Alaska and Russia. The problem was that even in the summer the route was mostly blocked by impenetrable ice. On one of the best-known expeditions - that of the UK's Sir John Franklin in 1845 - all 129 crew members perished after their two vessels got stuck. Today, more than 170 years later, a warming Arctic means that the route is increasingly accessible for a few months each summer. And according to some estimates, Arctic ice is retreating to the extent that the Northwest Passage could become an economically viable shipping route.

For shipping firms transporting goods from China or Japan to Europe or the east coast of the US, the passage would cut thousands of miles off journeys that currently go via the Panama or Suez canals. The Canadian government is certainly hopeful that this will be the case. Late last month the country's trade minister Jim Carr said that the route "will in a matter of a generation, probably be available year round".

At the moment it is still a risky business though, with ice remaining a serious problem.

But in 2014 the Nunavik became the first cargo ship to traverse the passage unescorted when it delivered nickel from the Canadian province of Quebec to China.

Tax evasion: blacklist of 21 countries with 'golden passport' schemes published

A blacklist of 21 countries whose so-called “golden passport” schemes threaten international efforts to combat tax evasion has been published by the west's leading economic think tank. Three European countries – Malta, Monaco and Cyprus – are among those nations flagged as operating high-risk schemes that sell either residency or citizenship in a report released on Tuesday by the Organisation for Economic Cooperation and Development.

The Paris-based body has raised the alarm about the fast-expanding $3bn (£2.3bn) citizenship by investment industry, which has turned nationality into a marketable commodity. In exchange for donations to a sovereign trust fund, or investments in property or government bonds, foreign nationals can become citizens of countries in which they have never lived. Other schemes, such as that operated by the UK, offer residency in exchange for sizable investments.

The programme operated by Malta is particularly popular because as a European member state its nationals, including those who buy citizenship, can live and work anywhere in the EU. The country has, since 2014, sold citizenship to more than 700 people, most of them from Russia, the former Soviet bloc, China and the Middle East. But concern is growing among political leaders, law enforcement and intelligence agencies that the schemes are open to abuse by criminals and sanctions-busting business people.

Transparency International and Global Witness, in a joint report described how the EU had gained nearly 100,000 new residents and 6,000 new citizens in the past decade through poorly managed arrangements that were “shrouded in secrecy”. Also on the OECD blacklist are a handful of Caribbean nations that pioneered the modern-day methods for the marketing of citizenship. These include Antigua and Barbuda, the Bahamas, Dominica, Grenada, St Lucia, and St Kitts and Nevis, which has sold 16,000 passports since relaunching its programme in 2006.After analysing residence and citizenship schemes operated by 100 countries, the OECD says it is naming those jurisdictions that attract investors by offering low personal tax rates on income from foreign financial assets, while also not requiring an individual to spend a significant amount of time in the country.

The OECD believes the ease with which the wealthiest individuals can obtain another nationality is undermining information sharing. If a UK national declares themselves as Cypriot, for example, information about their offshore bank accounts could be shared with Cyprus instead of Britain's HM Revenue and Customs.“Schemes can potentially be abused to misrepresent an individual's jurisdiction of tax residence,” the OECD warned.

The final names on the list are Bahrain, Colombia, Malaysia, Mauritius, Montserrat, Panama, Qatar, Seychelles, Turks and Caicos Islands, United Arab Emirates and Vanuatu.