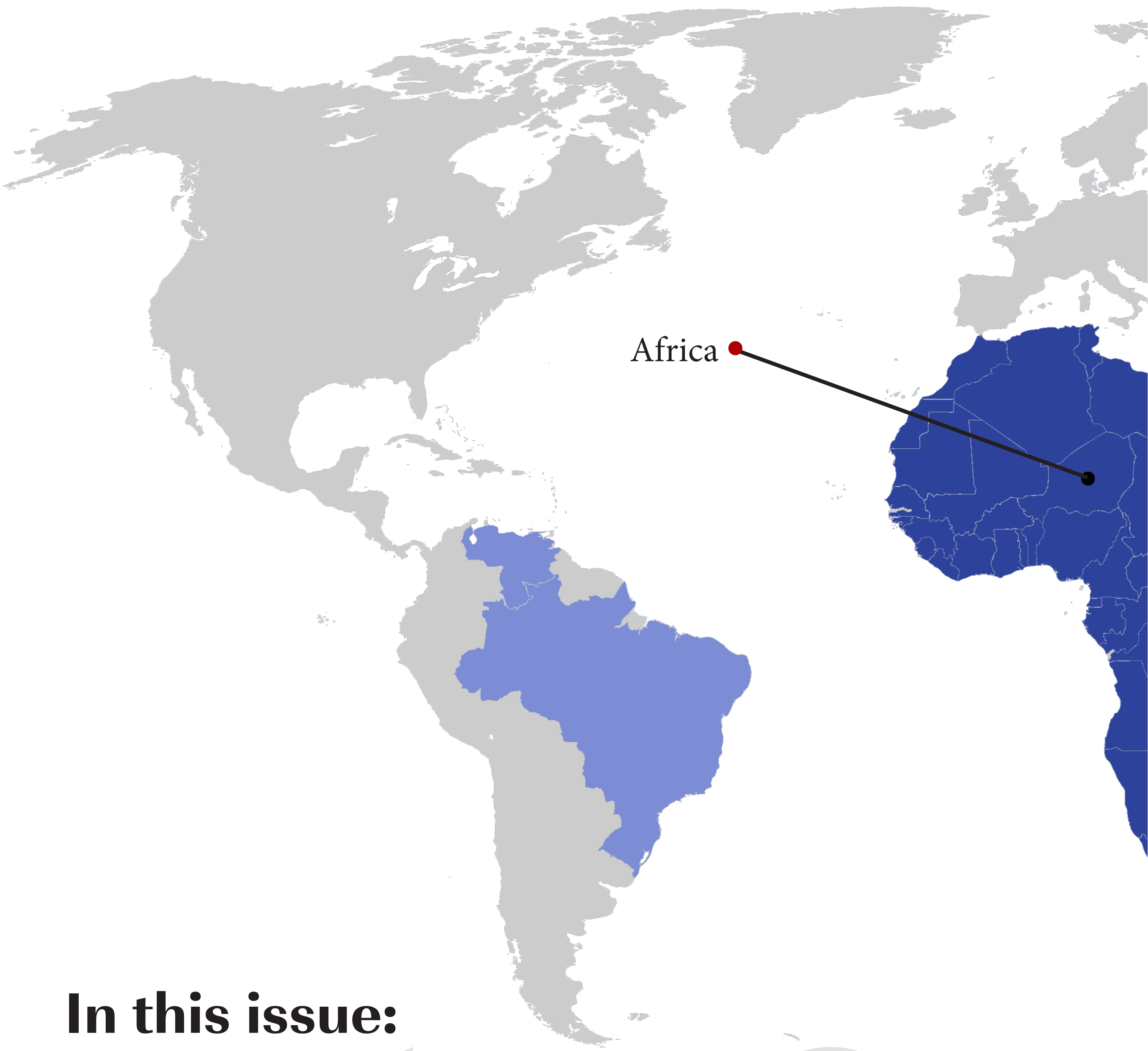
Warwick Emerging Markets Society

The Emerging Times

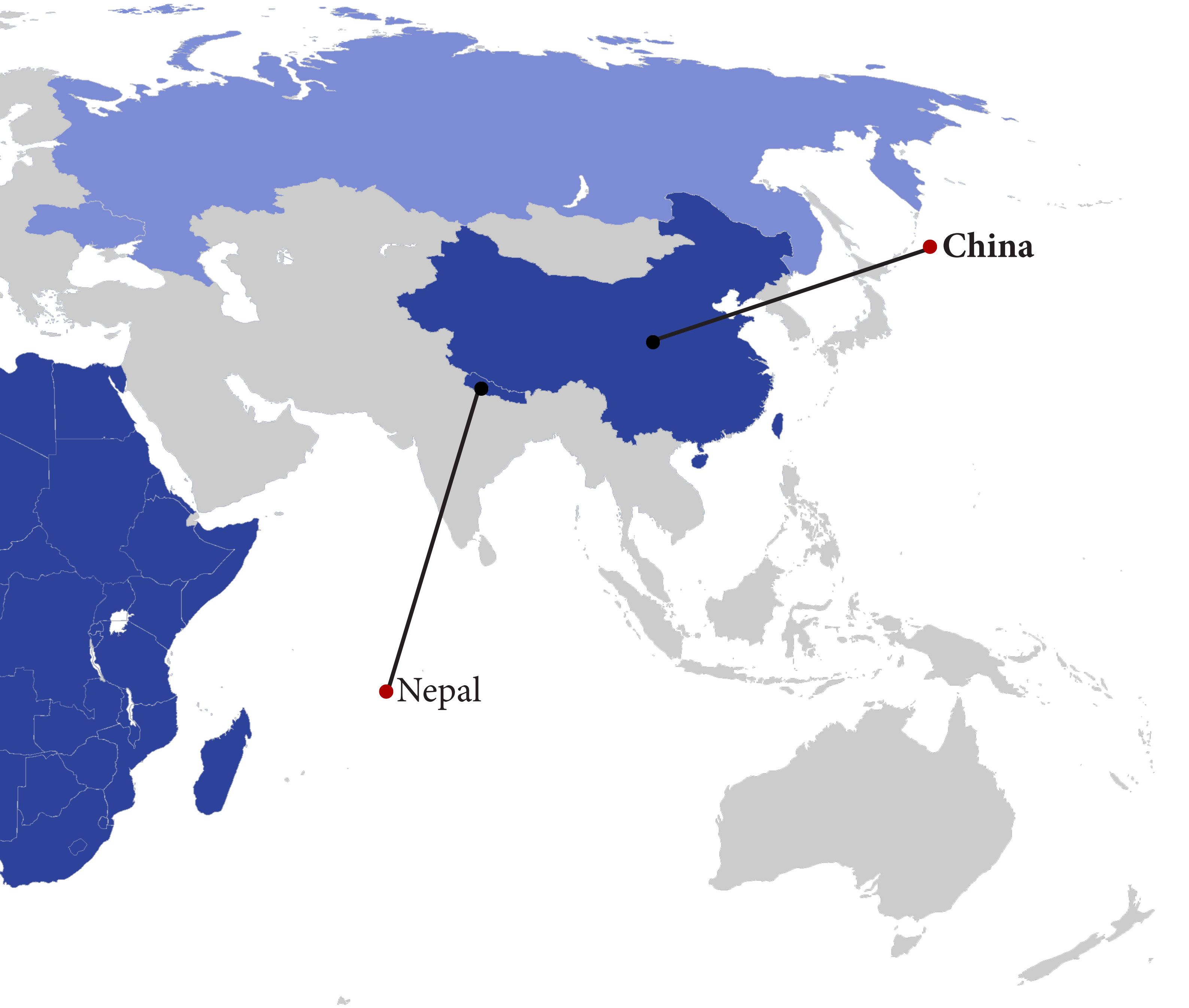
Issue 2, 2014/2015

Tracking our path around the world...



In this issue:

The Emerging Times aims to take you on a journey around the world with us. Have a look at our map below to find out which emerging markets are featured in this issue. As a guide, areas shaded in light blue are ones we have featured in previous issues while dark blue areas are ones featured in this issue. Be sure to pick up future issues to continue the journey with us and explore other countries.



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Emerging Markets (Africa)

4

Emerging Markets (Asia)

Dear Readers,

After the enormous success of our 1st issue, the Warwick Emerging Markets Society (WEMS) are proud to present to you our 2nd issue of The Emerging Times.

On 7th-8th November, WEMS held our annual forum featuring the best speakers and academics in various fields and a host of interesting topics including "Are emerging markets really emerging?" and "Colombia's magic realism". If you didn't manage to attend the forum, fret not. In this issue, we bring you a full review of the forum to ensure you're up to date with all the latest EM news. If you feel like you want even more information about what happened at the forum, head over to our blog on www.warwickemf.com where you will find even more notes and photos from what was an incredibly informative forum.

Besides that, after an exciting journey around Latin America and Ukraine in our last issue, we continue our journey in this issue and feature articles on Africa and Asia. With so much going on in the news about Ebola and Africa as a whole (coupled with so many readers from our last issue asking about Africa), it only seemed fitting that we present an analysis of the recent Ebola crisis (Page 9) as well as evaluate Africa's progress as a whole (Page 11). Moving on to Asia, we focus on microcredit in Nepal (Page 15) and give you some advice on whether you should be learning Mandarin while in university (Page 13). As if that wasn't enough, we bring you up to date with all you need to know about the BRICS bank (Page 7) and introduce you to the revolutionary concept of 'smart communities' (Page 5).

We would also like to take this moment to thank everyone who enjoyed the first issue of The Emerging Times and provided compliments and constructive feedback. As always, if you have any suggestions and feedback or if you would like to get involved in future issues of the magazine, feel free to email magazine@warwickemf.com. And of course, don't forget to look out for our next issue where we will continue exploring emerging markets and include more information about our upcoming events!

Happy reading,
Anisha Primalani and Nick Rivard

Warwick Emerging Markets Society

Warwick Emerging Markets Forum 2014 Review

"We officially announce the 2014 Warwick Emerging Markets Forum OPEN"
- 2014 Coordinators

During the 7th - 8th November, renowned experts in diverse fields as emerging markets, debt and leveraged financing, Earth system sciences and investment banking convened at the University of Warwick for the 4th annual Warwick Emerging Markets Forum (WEMF).

"It's a great time to be an Economist…"
- Madhur Jha

These were the words of **Madhur Jha, Senior Global Economist at Standard Chartered Bank**, during her opening speech. Emphasising Emerging Market's (EM) importance as a key driver of past and future growth, Jha states, "in the next 20 years, EM's are expected to contribute c. 60% of world output." Risks and concerns persist, however, with any discussion on EM potential. Excessive debt levels, coupled with reduced investment and labour and product market reforms, contributed to slower growth in EM's. Furthermore, commodity and oil price plunges of c. 25-30% since early July were posing a significant challenge for commodity-reliant producers in EM's. Yet, despite these risks, Jha remained optimistic about the future of EM's arguing, "concerns are valid but overdone, and they are not completely warranted" – noting in particular the rise in 'South-South' i.e. intra-emerging market trade. However, "potential is not the same as growth," and the big question remains: without sufficient structural reform in such areas as education, healthcare, environment and physical infrastructure, EM's may not realise their potential as the drivers of global growth for many years to come.

"Breakdowns drive breakthroughs" and "money is not wealth, simply a form of information" - Hazel Henderson

Hazel Henderson, Futurist, Founder of Ethical Markets Media and Author of Ethical Markets: Growing the Green Economy, joined us via video conference to discuss how today's information-rich solar age could provide leapfrog strategies for EM's. With high frequency trading accounting for c. 50% of all stocks on Wall Street, Henderson was clear to highlight the growing importance of advanced technologies such as fiber optics, lasers and bio and nano-technology in the world today. She also stressed the need to develop new multi-disciplinary systems approaches to old silos, and called for more investment (c. $10tn by 2020) in the field of 'green' technology. With her ideas already beginning to "invalidate traditional equilibrium economic models," and with support from fields such as 'new science' and psychology to name a few, it would seem that Henderson's call-to-action for a "systems approach to understanding green business, environments, energy and earth systems science" cannot be ignored.

"Zero is the most important number of the last 6 years" - David Aserkoff

David Aserkoff, Executive Director and CEEMEA Equity Strategist at J.P. Morgan, asked "are EM's really emerging?" In-contrast to Jha, Aserkoff considered the commodity price drops to be a "good thing for EM's," after all, countries like China, India and Turkey were commodity consumers more than producers, and falling prices meant "more money in consumers' pockets." His BRIC by BRIC analysis stressed: the need for investment in infrastructure and education in Brazil; the challenges in reducing capital flight and keeping export revenues in Russia; the need for an 'unlocking' of bureaucracy and leveraging of India's "human capital advantage"; and the need for reduced investment in China, "freeing-up investment for other parts of the world who can better-utilise it." Aserkoff concluded, "in global stock markets we don't care what you are now, we care about what you are tomorrow;" in-contrast to EM's' ineffective 'gung-ho' attitude, "create an investor-base first before launching any EM stocks."

Samir Gadio, Head of Africa Strategy at Standard Chartered Bank, opened proceedings on our second-day with a detailed discussion on 'Africa's idiosyncratic market features.' Gadio outlined the negative impacts of falling oil prices on countries such as Nigeria - where oil accounts for c. 80% of total revenue - and Kenya, whilst alleviating concerns about the recent Ebola outbreak – with a largely insignificant impact of c. 1% on Africa's total GDP.

Following Gadio's talk was a lively and engaging panel debate, expertly chaired by Dr. Jonathan Cave, on 'debt financing and where to invest in EM's.' **Ali Dhaloomal, Emerging Markets Credit Analyst at Bank of America Merrill Lynch, and Jagannath Iyer, Lending and Leveraged Finance Associate at Allen & Overy**, completed the panel team. The Russia-Ukraine conflict was the "shifting event in EMEA" and discussions revolved primarily around this conflict's impact on EM's and countries in the wider regions. In particular, concerns were raised over Turkey's large current account deficits despite the country's recent inflows of diverted Russian exports.

After a glorious Chinese buffet lunch, **Pritha Mitra, Middle-Eastern and Central Asia Senior IMF Economist**, and her IMF team led a presentation on the 'regional economic outlook for the Middle-East and Central Asia'. Mitra began by highlighting potential downside risks such as: increased geopolitical tensions; slower growth in EM's; lower potential growth in advanced economies and rising financial market volatility in advanced economies as a result of policy normalization - move to conventional monetary policy. Her team expected the Russia-Ukraine conflict and weaker domestic demand to slow down growth and have a negative impact on surrounding Caucusus and Central Asian (CCA) countries reliant on exports, remittances and FDI. Moreover, Mitra's outlook for Middle-East and North-Africa (MENAP) oil exporters remained highly uncertain: steady real GDP growth for the Growth Corporation Council (GCC) countries was juxtaposed with a low expected performance of non-GCC countries contingent on oil recovery in Libya and Iraq. Delayed positive effects from Arab-spring (spending) reforms, improving reserves of oil

importing countries, declining fiscal deficits and a slight pick-up in growth from rising investor confidence had helped offset these risks somewhat, however the overriding feeling ahead of the 27th November OPEC meeting was of a "weak and uneven recovery with persistent unemployment."

> "A place where the reality is magical – Colombia is magical realism"
> - Juan Pablo Cavelier

Mr. Juan Pablo Cavelier, Ambassador in Special Assignment to Expo Milano 2015 for the Government of Republic of Columbia, gave a rousing presentation on Colombia's bright outlook. With tourism growth three-times higher than the global average and huge influxes of global superstars such as James Rodriguez, Shakira and Sofia Vergara, one couldn't help but revel in the nation's remarkable transformation in recent years. Cavelier attributed this success to Colombians' newfound self-confidence and mentality, as people "finally decided that they could win; they were no longer 2nd-class citizens in the world and they could do it!" A strategic plan focused on exports, investment and 'smart' tourism - maintaining the country's genuine and unique culture – remains at the heart of Colombia's renaissance. Increased trade agreements with strategic partners and the EU community, coupled with historically-high levels of investment, FDI and falling investor insecurity resulted in a "framework that will contribute significantly to current and future world economic growth." With new opportunities in c. 6m hectares of land previously occupied by guerrillas, and with 3-year priorities of 'peace, reducing poverty and improving education;' Colombia's reality is shaping-up to be truly magical indeed.

> "We can only use the term emerging markets if we refer to where we live as sub-merging markets; we are going down."
> - Lord Meghnad Desai

Rizal Djaafara, Chief Executive Director & Representative for Europe and Africa at the Central Bank of Indonesia, provided his insights into 'Indonesia's relative economic position,' and was followed by our final panel debate of the forum, led by Dr. Camilla Maclean and Elena McFarlane. Joining Maclean and McFarlane was acclaimed **Professor Emeritus of the London School of Economics and Author of Rediscovery of India, Lord Meghnad Desai**, and Juan Pablo Cavelier. The engaging panel session revolved around food wastage and food distribution in emerging, developing and developed markets. As always, Lord Desai's controversial and honest insights proved to be one of the highlights of the forum, my personal favourite: "Everyone should have nuclear weapons, I'm an Economist and I believe in competition not monopolies; it would lower the price of peace." As a fitting conclusion to this year's forum, Lord Desai reminded us of his guru Economics prowess during an impromptu Q&A, masterfully answering questions ranging from growth in developing economies to organic food waste recycling and 'Smart' communities to the 'Economics of knowledge.'

As the 2014 Forum drew to a close, the society could proudly claim it as one of their most remarkable and insightful events in recent years. As Emerging Markets begin to dominate global debates for years to come, attendees of the 2014 WEMF won't help but wonder just how valuable these insights will prove to be. See you next year!

By: Nicolas Rivard (With special thanks to Kartikeya Jaiswal and Abdul Rahman Azman Shah)
Nicolas is the Head Writer of The Emerging Times and a 2nd year Economics & Industrial Organisation student. He is passionate about Emerging Markets and remains optimistic about their future potential. His current interests are in 'Smart' cities and Organic Food Waste recycling.

SMART Communities

In their article 'Serving the World's Poor, Profitably', C. Prahalad and A. Hammond illustrate two potential futures for the world as we know it. The first one is rather miserable, with anemic economic growth widening the gap between the rich and poor and thus exacerbating underlying societal tensions. On the other hand, the emergence of a new global economic order led by countries such as China, India, Brazil, Mexico and South Africa provides a source of optimism. Catalysed-forward through entrepreneurship and significant private investment in sectors ranging from commercial, financial, economic and social; the political fabric of developing nations stabilises as the threat of terror recedes in the face of competition, innovation and inclusion.

But before delving into how multinational corporations can reap societal and lucrative benefits by enhancing billions of lives at the base of the economic pyramid, one must acknowledge why emerging markets are being extensively promoted as hotbeds on innovation and smart, sustainable communities. To begin with, it has been stressed repeatedly that Emerging Markets are the current and future growth markets for many companies. This is highlighted by the fact that 423 emerging market cities will generate more than 45 percent of global GDP growth from 2007 to 2025 . Moreover, the population of these cities will grow by an estimated 40 percent over this period, and the average income (measured in GDP per capita, adjusted for purchasing power parity) will more than double from $13,000 to $31,000. As a result, these cities will account for nearly 20 percent of the global population and about 30 percent of global GDP by 2025!

The aforementioned figures are staggering and hold particular importance when viewed in lieu of the challenges facing the global population. With 9 billion people surviving with converging pressures on food, energy, and environment, I would like to focus on 4 key issues that hold importance for each one of us and, if not tackled, could easily turn Prahalad and Hammonds' dystopia into a reality.
- The world's energy and oil resources have been severely depleted, bringing an end to the "age of cheap oil" while detrimental climate change continues to take a toll in terms of natural disasters and food insecurity caused by flash floods or severe draughts.
- Moving beyond the environment, financial markets have witnessed incomplete recovery from the economic crisis that began in 2008, with rising unemployment levels and the threat of deflation across different locations on the globe.
- Finally, governments around the world have proven unable to keep up with the pace of change, let alone to provide solutions to these

problems, leading to political unrest in regions such as the Middle East.

Thus, in light of the growing importance of emerging markets and challenges that abound, it is the construction of 'smart communities' across developing nations such as the Philippines, India, Bangladesh and Kenya that has sparked excitement about the possible solutions they can provide. While it is difficult to pin down a specific definition describing these communities given their diversity and uniqueness, terms such as vibrant, efficient and sustainable can be easily attributed to them. Such communities strive to provide opportunities for creativity and innovation by leveraging technology to empower individuals, thereby satisfying the basic needs of citizens across the globe such as clean water, education, green infrastructure, telecommunications and public health facilities, among others.

Throughout the developing world, technology is being used to create more connected and smarter communities. New 'Information and Communication Technology' infrastructures like smart cards and mobile phones are used to deliver cutting-edge services to those people that have historically been excluded from utilising them. Connected communities have led to new suppliers, producers and consumers who were previously not connected and often not a part of the formal economy. For instance, the Grameen Foundation supports subsistence farmers in emerging markets by hiring local community knowledge workers to travel and offer mobile phone-based information about weather forecasts, crop prices and health issues across rural areas. Using data collected on mobile phones, the organisation is then able to determine what makes for a suitable community knowledge worker and whether certain interventions, like providing bicycle transport, aid in connecting with more people.

More specifically, the establishment of such communities in developing countries by entrepreneurs and MNCs hinges on the utilization of local networks to serve low income markets profitably, while simultaneously creating essential market infrastructure for economic development.

As an example of public sector innovation, Manila Water in the Philippines relies on collective billing to ensure the timely payment of bills, employs small-scale entrepreneurs as couriers and pipeline contractors, supports microlending, and brings affordable water to schools and hospitals. Some of the benefits are directly measurable as 5.1 million residents are served, more than 1,000 engineers have been trained, and an annual payroll of $16 million is disbursed in impoverished east Manila. Less quantifiable benefits are just as important with as cheaper, higher-quality water freeing up income for other purchases thereby raising the quality of life and health.

The need to prioritize inclusive sustainability has never been more urgent than it is today. This is particularly true in emerging markets that are entering a period of mass urbanization that could dramatically raise productivity and standards of living, yet also poses environmental and other threats that could significantly reduce the benefits of growth. While the absence of accepted frameworks for evaluating success in emerging market cities may enable innovative technological solutions to be deployed more easily, officials may also be prevented from discovering and implementing effective solutions. Potential frameworks such as Urban Sustainability Indexes, Land Renewal, Green Urban Planning and Societal Integration would go a long way in making the aforementioned possible. Finally, it is essential to view the idea of smart communities as a work in progress rather than fully established self-sustainable towns and societies, as these different developments in different walks of life could eventually culminate into the establishment of holistic smart communities across the emerging markets.

By: Vishal Kothari.

Vishal Kothari is a 3rd year EPAIS student who maintains an avid interest in the socioeconomic and political developments across the Indian subcontinent.

Source: www.nationofchange.org

Meanwhile In Fortaleza... Everything You Need To Know About The BRICS Bank

From 14th-16th July 2014, the 6th BRICS Summit was held at Fortaleza, Brazil. This culminated in the announcement of the New Development Bank, to be headquartered in Shanghai.

Sparking immediate attention from worldwide media, there have been speculations as to what the bank could mean for the geopolitical financial world.

1.Why a new bank? Why now?

The BRICS have been holding summit meetings since 2009, trying to prove to the developed world that they are more than an acronym. With the Western world hot on Russia's heels for its foreign policy; India's newly elected government out to prove a point; Brazil trying to make its mark outside of Latin America; China emerging as an economic superpower and South Africa desperate to attract investors; the climate seems right for such a venture.

The IMF and World Bank have long been dominated by America and, while their contribution to the world economy has steadily increased, any attempts to increase voting power for developing countries have not taken off. At the 2010 G20 summit, such IMF reforms were agreed upon but the American Congress has yet to approve these reforms.

The BRICS Bank (New Development Bank) aims to create a lending institution that will cater to the needs of emerging economies, breaking free of the shackles imposed by the Bretton Woods institutions.

2.How will it be different from the IMF and World Bank?

The lack of equal power distribution at these institutions has been a political question for a long time, and the NDB attempts to address this issue from the outset:

- The Presidential position will be a five-year rotating one, going to each country in turn with India presiding first.
- Russia will head the board of governors, while Brazil presides over the board of directors.
- Shanghai won the location battle, with a sub-branch to be located in South Africa.
- While the institution is open to new members, the BRICS capital contribution

cannot fall below 55%.

• No BRICS nation can increase its capital share without consent of the other four nations.

3.What about clashing political ideologies?

Turns out the developing nations are happy to put aside their differences when faced with Western supremacy.

Latin America, in particular, seems to be courting Vladimir Putin with a vengeance, who is only too happy to engage new allies that will not question his increasingly dubious foreign policy.

Obviously, the idea of parity will be a complicated one to achieve, considering the 28:1 ratio in the weight of the biggest player (China) to the smallest one (South Africa).

4. But it's all about the money….

It is indeed. While the bank's lending capabilities and starting capital remain miniscule compared to the World Bank and IMF, we need to acknowledge that everyone starts somewhere:

• An initial starting capital of $50 billion has been planned, with each member contributing $10 billion each.

• The idea is to increase the capital to $100 billion eventually.

5. The EU has a contingency fund. How can the BRICS be left behind?

With a total global economic contribution of about 20%, the answer is they can't.

Keeping this in mind, a Contingent Reserve Fund of $100 billion has been proposed to help out member nations in financial trouble. China has promised $41 billion, South Africa $5 billion and the others $18 billion each.

6. Will it meet all of the developing world's funding needs?

Probably not. It is estimated that South Asia alone will require $2.5 trillion over the next 10 years. This means that even if NDB's capital base increases to $100 billion, it still falls short.

7. Promises, promises. What does everyone else think?

World Bank and IMF do not view NDB as any real competition.

Both Christine Lagarde, Managing Director at the IMF and Jim Kim, President at World Bank, welcomed the creation of the new bank.

Analysts are divided over what the bank could mean for the future. Some view it as merely a political bloc, while others see it as a major challenger to the IMF and World Bank; a good contender in world finance and a sign of the world's fundamentally changing power strategy.

Joseph Stiglitz, Nobel Prize winning economist told media that it reflected a fundamental change in global economic and political power. He added that the old institutions had not kept up with the now-richer and advancing BRICS countries.

Jim O'Neill, the man behind the 'BRICS' term told CNBC "The most important thing is that it's now a permanent sign that global governance is a mess. Global governance has not kept up with the pace of global economic change."

8. So, what now?

We can only wait and watch if this new international organisation has the political clout to actually take off, unlike some of its predecessors. However, it cannot be denied that its creation has marked a shift in political perspectives and stirred the international financial cauldron.

By: Aakanksha Jaiswal

Aakanksha is a 2nd year Economics & Industrial Organisation student.

After Ebola: challenges for epidemic disease control in Africa

The world's worst outbreak of the Ebola virus in recorded history is still raging in West Africa at the time of this writing and shows little sign of abating. Almost 5,000 people have been killed, mostly in Guinea, Sierra Leone and Liberia. It is possibly the most serious global public health crisis so far in the twenty-first century and has cruelly exposed the frailties at the heart of our planet's disease-fighting infrastructure.

In some ways, we have been here before. The panics over SARS and swine flu demonstrated our vulnerability to infectious diseases, perhaps even more so in an age of worldwide travel. But the lessons that should have been learnt from those episodes were not heeded and are only starting to be taken seriously following this latest tragedy. In particular, Africa remains ill-equipped to deal with the next epidemic if certain needs are not met. These challenges are compounded by a network of existing deficiencies in sanitation, access to clean water and well-trained medical workers who are able to provide on-the-ground support and use their knowledge of local culture to educate their fellow citizens.

Educational standards must be improved in order to ensure that populations are literate in the sense of being able to read and interpret information about public health threats. It is all too easy in the developed world to take for granted the power of a short list of symptoms, as well as access to intelligent and intelligible articles about diagnosis, prognosis and treatment.

But citizens must also be scientifically literate in the sense of having some familiarity with the scientific method, so that they are able to place some faith in the ability of modern science to combat deadly infections. Nattrass for example argues that an absence of trust in scientific authority and "denialism at the highest level" about the efficacy of antiretroviral medications contributed to the slow response to the AIDS epidemic in South Africa.

Similarly, the present Ebola outbreak has been characterized by repeated suspicions about its origin - to the extent of accusing doctors of deliberately spreading the disease - and a resort to traditional faith healers rather than Western medicine. In Sierra Leone, hard-hit by the catastrophe, only around 40% of the total population aged 15 and over can read or write according to a 2011 estimate by CIA. This figure needs to be dramatically increased in order to close the information gap and prevent misunderstandings from foreign and local parties alike.

Disease control will also remain difficult if investment into research and development (R&D) is as stagnant as it is currently. Expenditure on diseases endemic to the developing world - such as TB, malaria and African trypanosomiasis - is chronically low across the board and in the Ebola case, private firms only began looking for a vaccine after monkeys in the United States were discovered to be infected. Companies depend on large returns from drug sales while a patent is still in force, in order to be commercially viable. Consumers in the Third World have little purchasing power though and as a consequence, R&D into developing-country diseases represents a significant sunk cost, with marginal rates of return.

The poor state of health regimes in these countries means that they are a fertile breeding ground for new strains of diseases. Investment in both the private and public sectors needs to be targeted at these countries in order to tackle infections at their point of origin, rather than when they spread to wealthier nation-states, by which point the resultant epidemic has little chance of being contained at the source; Ebola is a vivid illustration.

But perhaps the greatest problem is the urgent need for a supranational body tasked with drawing up and implementing rapid response plans for pandemics. The World Health Organization's (WHO) director-general, Margaret Chan, has insisted that its primary function is not to provide first response but to give technical advice. Yet the size, scope and speed of this outbreak has shown that governments and aid agencies in Africa will be seriously overwhelmed if they cannot get access to the assistance they desperately need from foreign countries. "[If] the WHO is not the first responder to an emergency such as [Ebola], then who is?"

An equivalent agency with an explicit mandate to direct flows of manpower and resources to contain epidemics should be created. Although response measures will inevitably differ from case to case, the general pattern is the same whether the threat is from a virus, a bacterium or a fungus. Field hospitals need to be deployed, patients need to be cared for appropriately and mass vaccinations need to be implemented.

"[If] the WHO is not the first responder to an emergency such as [Ebola], then who is?"

None of these obstacles to successful epidemic disease control in Africa can or should be viewed in isolation. Education, investment and global policymaking should be seen as elements of a coordinated health system. Equally, the stakeholders involved operate on many levels - from local tribal chieftains to the heads of multinational organizations - and the impacts are multilayered too. Epidemics can affect a country's labour productivity, migration and flows of income, trade and investment. Occasionally, they can be so severe as to lead to mass rebellion (see the Black Death) and even possibly state failure.

That is why we should pay more attention to diseases and why we should be watching for the next outbreak. Were we to see a pandemic strain with the same potency as the infamous 1918-1919 flu virus, over 100 million people could be killed worldwide on some estimates. The consequences for the global political economy would be incalculable.

By: Gah-Kai Leung
Gah-Kai Leung recently graduated in Philosophy, Politics and Economics (with Study Abroad) from the University of Warwick. He is starting a journalism course in February 2015 and is interested in how policymakers respond to disasters such as earthquakes and pandemics.

The Awakening of a Sleeping Lion: The Story of Africa

It was just under 15 years ago that Africa was dubbed the 'Hopeless Continent' on the front of the Economist, but in recent times, the narrative has changed. There is much to be said for African growth statistics. "Economic growth in Sub-Saharan Africa continues to rise from 4.7 percent in 2013 to a forecasted 5.2 percent in 2014" according to the World Bank's 'Africa Pulse'. The emphasis is so often placed on the many digits and percentages that point to a booming continent, buoyed by unparalleled levels of economic growth in countries such as Nigeria and Ghana. However, what is less often discussed is quite how this filters down into people's lives. How is it that accompanying this economic awakening is a cultural reawakening and what is facilitating it? Africans no longer desire the success that was once perceived to be the western way of life, but instead seem keen to write it on their own terms.

Convergence theory suggests that as we move forward, the economic status of nations will homogenise and so too will the lifestyles pursued. To some extent this can be seen to be true. Consider the growth in demand for luxury goods in the likes of China and India. Of the 330 million people considered luxury shoppers in 2013, 130 million are now from Emerging Markets, China alone accounting for 50 million. However, it is important to distinguish the desire for comfort and the desire to be western. As author of the blog 'Africally Speaking', Ngum Ngafor put it, "it's more about access to mod cons than really wanting to be western". Traditional notions of development and how it manifests itself perhaps should not simply be cut and pasted on Africa. Many have argued that the global technology revolution has been the greatest facilitator of African success; the Internet is one obvious example. As it becomes increasingly accessible, it has facilitated millions of people entering into the market

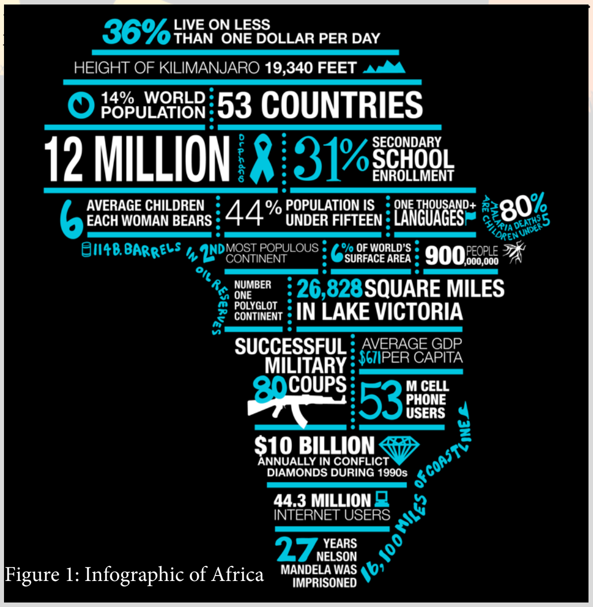

Figure 1: Infographic of Africa

By 2025, Africa's iGDP (the percentage of GDP accounted for by the internet) should grow to at least 5-6 % matching that of economies like the UK. This has the potential to grow to 10% if internet becomes as wide spread as mobile technology .

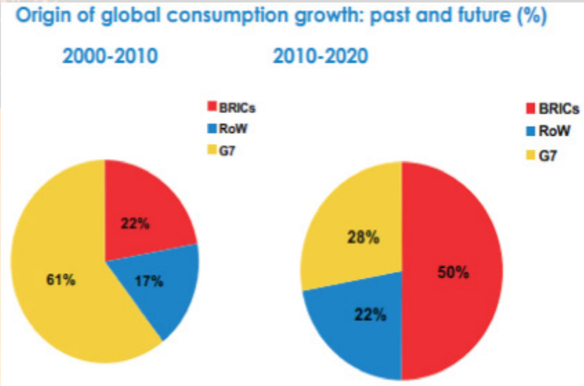

Figure 2: (Source: Goldman Sachs, 2013)

Yet it is important to note that Africans are not merely passive receivers of this new wave of technology, but are constantly striving to adapt it to their needs. Improving technology has also lead to the falling price of headsets which has prompted the rise of a mobile continent, replacing the need for the conventional hard infrastructure of landlines. With a burgeoning entrepreneurial spirit, many of the solutions to development problems have stemmed from innovators on the African continent. It is too simplistic to merely say technology has irrevocably changed the lives of Africans - it is the adapting of these technologies to fit the African context that is really having an impact. The mobile money transfer and micro financing service M-PESA, started in Kenya in 2007, now has 17 million in users and transactions through the service accounting for 43% of Kenya's GDP; it is clear such schemes truly facilitate financial inclusion.

Now in Africa, there is a greater sense that people can take risks and deviate from the path that was once set out for them. For most of Africa's best and brightest the aim was to pursue a traditionally academic degree here in the UK, US or mainland Europe. However, increasingly many people are viewing this move as temporary and returning to the continent to employ their expertise in aiding Africa's development.

In addition, the African Development Bank in recent years have published statistics pertaining to the rising middle class, making the claim that one in three Africans form part of this expanding group. Many of the continent's entrepreneurs are tapping into people's increased desires to consume, not just conventional western goods, but those that represent more of a cultural fusion. The strides Africans are making in the spheres of fashion, where African prints regularly appear on the catwalk, and music, where songs by African artists top the UK charts, is a testament to this. 'Nollywood' (The Nigerian equivalent to Hollywood) now produces more films than its American cousin. It is evident that Africa's economic boom is fuelling a cultural explosion and has permitted Africans to portray their own image of a successful lifestyle – 'western' comforts with a distinct African twist.

For those interested in Emerging Markets, this growing trend represents an opportunity for us to consider the benefits of Economic development more widely, especially what it represents to people. In this case, it is more than just a higher standard of living in absolute terms, but an intangible set of benefits in the form of a cultural flourishing which, perhaps, is equally integral to human development.

By: Elmyra Chinje

Elmyra is a 2nd year EPAIS student. She is fascinated by the potential for economic growth to transform people lives and hopes that in taking a more holistic approach, people are placed before numbers when evaluating the impacts. She remains confident we can promote sustainable, people centred growth and avoid some of the pitfalls of the conventional paths to economic prosperity.

Should we all still be learning Mandarin?

When I was at school, the advice given to students in droves, was “Learn Mandarin. Trust us, it will help you.” With the increasing spread of globalisation, it was proclaimed, businesses will be lapping up bilingual employees, and those who can speak the most common language of China, the country with the highest GDP in the world, will be in especially high demand. But with the benefit of hindsight, how useful will Mandarin really be? How is globalisation affecting China, and what does it mean for the UK? Can graduates expect to work a stint in Shanghai during their illustrious careers, or will the language remain just another long-forgotten skill we picked up during our university years?

Since it joined the World Trade Organisation in 2001, China has benefited hugely from better access to the world market, and the country saw its foreign direct investment (FDI) soar, as multinational corporations opened factories to take advantage of cheap Chinese labour. In fact, it was noted by the National Bureau of Statistics of China in 2011, that 52.4% of its exports were made up of Foreign Investment Enterprises. And even though growth recently dipped slightly to 7.4% in 2014 Q1, there is still talk of China overtaking the United States as the world’s biggest economy. The Economist, for example, offers online readers a chance to predict when this will occur, with their experts estimating that we will only have to wait until 2021.

However, there are mounting suspicions that China is no longer cheap. An article published in the Journal of Economic Perspectives stated that wages have been rising faster than productivity, due to the changing mature of the labour market, such as an ageing population, and the fact that previously the price of labour was extremely low compared to productivity, a phenomenon that is now being evened out. We are now seeing factories move to India, or even next door to Vietnam, where labour is now relatively cheaper, and taking their FDI with them.

Figure 1: China’s trend of increasing wages. (Source: World Bank)

But, if China's export-led growth is supported by its cheap labour, then surely rising labour costs puts it in jeopardy? Not necessarily. Many argue that China's next step is to find growth through innovation, and creating their own products and brands to sell on the global market. We rarely see Chinese brands as global competitors (Lenovo and Geely are two examples), so there is definitely room to expand here. Wei Xei of Tsingtua university in Beijing cites in his article ""What will make China an innovation-oriented country?" that over and above the necessary investment spending, the main obstacles will be setting up a culture of innovation in the country, with tasks here including developing human resources, improving the skills of managers and increasing protection of patents.

China's government has already made some moves towards encouraging entrepreneurialism. For example, in 2010 it passed the IPR Protection Action Plan, which aimed to stop pirating of ideas, so more people are incentivized to create new products. Non-profit science firm Battelle also suggested that spending on research and development in China could increase 22% from 2012, reaching $284 billion. However, it will take time before we can tell how successful the effects of the government's policy changes are.

So what does this mean for future UK graduates? There is no doubt that it will take time for China to adjust its focus from production to innovation, and to become experienced enough to compete on a global scale. Despite the small successes we are seeing, such as Chinese brand Lenovo Group becoming the global number one PC maker, it is clear there is still much work to be done.

But in the short term at least, don't forget that rising wages are also higher incomes for Chinese citizens, meaning there is sure to be a higher demand for sophisticated products and services. Many international companies, from banks to Fast Moving Consumer Goods will be as eager as ever to tap this growing market. So don't put away your dreams of the Oriental Pearl tower just yet!

(Figure 2 and 3: Oriental Pearl Tower in Shangahi (left) (Source: skyscrapercity.com) and Citigroup tower (right), next to the Oriental Pearl Tower. Citibank opened its Chinese subsidiary in 2001. (Source: Officebc.cn))

If you have started learning Mandarin, then bravely continue, as China has an exciting future ahead, and many peple the world over are eager to see it unfold. And if nothing else, in the melting pot of international culture that is Warwick University, knowing a little Mandarin never hurt anyone.

By: Naila Waseem.
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Microcredit in Nepal

Nepal is one of the 20 poorest countries in the world with an annual per capita income of 1300$ in 2013 (according to CIA World Factbook), and its Gross Domestic Product (GDP) growth is one of the lowest in the region, around 4.7% in 2012 and 2013. Fighting poverty in Nepal is however a complicated process because the country is facing several difficulties restraining its economic expansion: notably a gender gap, demographic outflow, geographic exclusion and an unfavourable political environment.

The Gender Gap

For one thing Nepal suffers from deep gender inequalities which lead women to play a minor role in the economy by keeping them in subordinate positions. In 2011, only 46% of women were literate — compared to 71% of the men population. The Nepalese society has kept a patriarchal structure and women are bound by strict social norms. The obligation of marriage and the expectation of bearing children remains a major impediment to women's advancement in education and career. Due to their lack of education, they are often a lot poorer than their male counterparts and are unable to carry out productive activities on their own. In 2004, women's purchasing power was about half the men's.

However, situation in Nepal is far from being geographically even. Rural areas suffer from a much larger gender gap than urban areas and fewer progresses are made there. According to a GEFONT report, as long as males are the only breadwinners, many rural households have almost no way to improve their situation. Most peasants are landless and work for powerful landlords. In 2008 top 5% of land-owning households owned more than 37% of land, while 47% of land-owning households owned only 15% of land.
As a consequence, the poor peasants of the country are trapped in poverty as they cannot invest in the education of their children or afford to buy land.

Demographic Outflow & Geographic Exclusion

Over the last decade, rural poverty in Nepal created another problem as it led to a major demographic outflow. In 2012, around half a million Nepali citizen migrated to escape a 46% unemployment rate and slow economic growth. Most of these people are now working in low skilled sectors in Malaysia, Qatar or the UAE. This trend contributed to an immediate reduction of poverty but also deprives Nepal from a lot of its potential workforce and makes it even more exposed to the global economic context. With 40% of the rural households receiving remittances from migrated family members (MIR Nepal), vitalising the local economy is an absolute priority for Nepal. For these reasons, implementing microcredit in Nepal was a necessity for the Nepalese economy as a whole. In addition, because of the topography doing microfinance in this country poses real difficulties in practice as reaching the poor is sometimes physically impossible and a lot of areas find themselves de facto excluded from micro finance institutions (MFIs). Nepal can be divided into three geographic areas: the Himalayan mountains, the high hills (pahad) and the flat land (Teraï). While microfinance was easily implemented in Nepal's breadbasket called Terai, the other two areas face insufficient exposure to microcredit. The few people (5% of the total population) living in the mountains have no access to microcredit as they often live in secluded areas like Mustang. Those living in the High hills — who represent 40% of the total population — suffer from poor infrastructures — damaged roads, inefficient postal service — which restrain their access to financial services. In total, it is almost half the population that struggles to join MFIs.

Political environment

Since 2008, Nepal has been a democratic republic. Democracy, however, remains fragile. The constituent assembly has not yet been able to draft a constitution. Still, the situation is improving. While 10 years ago the climate was very unfavourable to business, it is no longer the case. Conflicts stopped and roads reopened, enabling the access to the hills and the mountains. Violence and economic insecurity related to robbery have dropped. In addition, ruling political parties are pushing for an economic development through liberalization of the economy, including microfinance initiatives.

The Government of Nepal and the central bank — the Nepal Rastra Bank (NRB) — have been promoting the spreading of microcredit in the country via several measures. Last to date, the government issued a National microcredit policy in 2007 which aimed both at creating a legal environment for the promotion of microcredit and channelling microcredit towards the reduction of poverty.

It is nevertheless hard for MFIs to emerge. The NRB has a strong grasp on the finance industry and limits the spreading of MFIs. Banks indeed need a formal approval of the central bank of Nepal to be allowed to work. Though the approval is hard to get, MFIs proponents seem happy about it. Indeed competition in microfinance could bring new problems as it becomes easier to get loans. People could be tempted by Ponzi's schemes — borrowing from one bank to reimburse another — creating in turn situations of over-indebtedness. In addition, when you would expect the lack of competition on microcredit to lead nepalese MFIs to apply excessive interest rates, it has not been the case in practice. Nepal microcredit's interest rates are among the 5 lowest in the world. With an average of 20% on normal loans, it is below the world's average of 35% and far from Mexico's 65%.

Undoubtedly, microcredit has beneficial effects. These are economic – though we cannot assess these effects, some people got out of poverty thanks to microfinance programs – but also social – borrowers find themselves belonging to a new group with the shared envy of improving their condition. So the question is: how do we get to reach all the Nepalese poor with microcredit? The solution we believe is ultimately political. Efforts need to be put in place to facilitate communication throughout Nepal. Roads need to be renovated, Global System for Mobile Communications (GSM) services need to be available in the most isolated areas and postal services need to gain in effectiveness.

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