

CHINA'S SCHOOL DROPOUTS A GROWING CONCERN FOR ECONOMY

HUANGCHUAN VILLAGE: Every day after lunch, Qu Yexiu used to potter around her house in north west China doing housework and looking after her two-year-old grandson.

Now, every day after lunch, Qu and her grandson visit the newly opened early-childhood development centre in their village of Huangchuan in the mountains of Shaanxi province, where he can play with other toddlers. "Things are better now that we have this village centre," said Qu, 56. She looks after her two grandchildren while their parents work and live in nearby Anhui province. The other grandchild attends a preschool.

"My grandson has other kids to play with and I can chat to the other grandparents."

Early-childhood development centres like the one in Huangchuan may be the answer to one of China's biggest challenges - reducing the number of children who drop out of school in rural areas.

Children in rural areas, where around half of the population lives, have far lower cognitive and social skills compared to their urban counterparts, setting them on a path of dropping out of school before they can even say their own name.

Poor education was not such a problem for previous generations of Chinese who spent their lives on the farm or in factories but it could now have far-reaching consequences. The government

wants to push the country up the value chain, so the world's second-largest economy needs a higher-skilled labour force if it wants to transition to a higher-value economy. "This is the biggest problem that China faces that no one knows about. This is an invisible problem," said Scott Rozelle, co-director of the Rural Education Action Program (REAP), a research and policy organization based at Stanford University, which partners with Chinese universities.

"China has the lowest levels of human capital (out of all the middle income countries in the world today). China is lower than South Africa, lower than Turkey. We think that's related to when they were babies, they didn't develop well," Rozelle said. China's National Health and Family Planning Commission is working with economists like Rozelle and his colleagues to provide early childhood development opportunities to babies and toddlers in rural China.

Labor force

Seventy-six percent of China's labor force did not attend high school, based on figures from the country's last census in 2010, according to an academic paper co-authored by the Asian Development Bank and published last year in the China Quarterly, an academic journal. The gap between rural and urban China is also big. Only 8



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percent of rural Chinese in the labor force in 2010 had attended any high school, compared to 37 percent of urban Chinese, according to the China Quarterly article. The disposable income of a per-

son living in rural China was 6,562 yuan in the first half of 2017, compared to 18,322 yuan for someone in an urban area, according to China's statistics bureau. — Reuters



TIRANA: European Union's enlargement commissioner Johannes Hahn, second left, chats with Serbia's Prime minister Ana Brnabic, second right during an informal meeting of Western Balkans countries in the Albanian port city of Durres, 33 kilometers (20 miles) west of the Tirana. — AP

WESTERN BALKANS LEADERS ADOPT PLAN TO DEEPEN ECONOMIC TIES

DURRES, Albania: Prime ministers from Western Balkans countries yesterday agreed on a road map to deepen their regional economic cooperation as part of the process for joining the European Union.

The agreement was reached at a meeting in the Albanian port city of Durres, where Albanian Prime Minister Edi Rama hosted his counterparts from Serbia, Kosovo, Bosnia and Herzegovina, Macedonia and Montenegro. The meeting was held under tight security at a government beach resort. Police and National Guard troops maintained a heavy presence while a military warship patrolled off the coast.

Rama said the prime ministers agreed on a 115-point plan that would create a "fundamental transformation of the movement of goods, service, capital, qualified employees to make the region more attractive to investment, flexible in commercial exchange and speed up its economic growth and wellbeing along the road to the EU."

EU Enlargement Commissioner Johannes Hahn and World Bank Vice President Cyril Muller also attended the meeting.

Participants discussed how to implement the 115 items, Hahn said. He noted that even though the commercial exchange of goods between EU member countries and the six Western Balkan nations has doubled in the last decade to a value of 46 billion Euros (\$54 billion), bilateral ties in the region have not changed. "The creation of an economic area is something supporting (their) European aspiration, but that also helps the countries for a better perspective," Hahn said. "Finally everything is done in the interest of the citizens, improving the living conditions of the citizens."

The leaders gathered in Italy last month for an official EU summit that focused on boosting economic growth through stronger inter-regional relations. All are at different stages of EU integration. The EU's official enlargement process is on hold until 2019. — AP

BRITAIN FEELS BREXIT PINCH AMID SIGNS OF SLOWDOWN

WIDENING TRADE GAP, LACKLUSTER MANUFACTURING

LONDON: Britain's economy is beginning to feel the Brexit pinch, or perhaps given the strong performance of the rest of the world economy, it should be punch. After a prolonged period of relatively benign economic numbers following last year's vote to leave the European Union, there are now signs of a potentially serious slow down.

They stretch from retrenching households to hesitant businesses, from a widening trade deficit to lackluster manufacturing. They also come just as the EU and Britain return to the negotiating table, the latter with a handful of new post-Brexit position papers.

Since mid-August, London has been releasing official papers on issues such as trade, customs, the European Court of Justice, and what the province of Northern Ireland's future border with EU member Ireland will look like. The performance of Britain's pound over that period suggests few people were impressed enough with them-or with the likelihood they will come to pass-to overcome the economic signs.

Running through the release of five official Brexit papers, the pound has lost more than 1.4 percent against the dollar since Aug 14 and the euro has gained the same against sterling.

While the pound weakness is not directly linked to the papers, their release has clearly done nothing to improve confidence in the currency. That is at least in part because the UK

economy is starting to feel the impact of Brexit. "Economic momentum looks uncertain. Monthly factory orders this year suggest that the sector is failing to capitalize from a weaker sterling and a pick-up in global trade," Jaisal Pastakia, investment manager at Heartwood Investment Management, said in note.

Elsewhere, second quarter economic growth figures showed consumer spending slumping to a two and a half year low of just 0.1 percent quarter-on-quarter.

Business investment was also at a standstill. Barclays said this was "highlighting just how much businesses are holding back investment in the face of high levels of uncertainty regarding the outlook for business conditions." Add to that a warning from Britain's heavyweight food supply industry that EU workers it relies on are already leaving or considering doing so.

Back to the table

It is not completely linear, of course. Car manufacturing bounced back in July and the unemployment rate is falling. Last month's purchasing managers indexes also pointed to steady-albeit sluggish-economic growth over the coming months.

So the wheels have not come off. But the backdrop for Britain as it returns to the table on Monday is nonetheless a stark contrast to what the other side is experiencing. The euro zone,

which comprises 19 of what will be the remaining 27 EU members, is flying high.

The latest data shows annual growth at 2.2 percent, the highest for more than six years; economic sentiment is cruising at levels last seen before the financial crisis; even the bloc's notoriously high unemployment rate is falling. Improvement is fairly widespread among euro-zone countries, meanwhile. Florian Hense, an economist with Berenberg bank, notes the eurozone has now had 17 consecutive quarters of growth.

"And most countries of the currency union were at the party," he said in a note. "Countries that have for a very long time... struggled to get a stable footing, are beginning to recover, too."

Whether this continues or is peaking may become clearer in the coming week when various sentiment indicators, unemployment and manufacturing reports are released. The flash composite purchasing manager index has already shown the bloc to be well in expansion mode with no sign of an August slowdown. Inflation too will be on the agenda. It is expected to be 1.4 percent year-on-year, too far below the European Central Bank's near 2 percent target to impact rates decisions on its own.

But the growth picture is enough to have the ECB at least thinking about tapering its quantitative easing bond-buying program. Some have taken to calling that QExit. — Reuters



LAGOS: A farm laborer walks in the afternoon light on the Rosedale Dairy Farm. Farming in Nigeria is not for the faint-hearted. Intermittent electricity means generators are needed half the time. — AFP

'END-OF-THE-WORLD' FACTORIES STRUGGLE TO ADAPT TO MACRI'S ARGENTINA

RIO GRANDE, Argentina: On a recent morning, workers wearing blue shirts and black gloves assembled digital TV set-top boxes inside one of the world's most unlikely factory towns.

Their employer, BGH SA, for nearly 40 years has been manufacturing consumer electronics here in Rio Grande, a city in the chilly island province of Tierra del Fuego, located at the far southern tip of Argentina. Like dozens of factories that have taken root in this sparsely populated land of penguins and glaciers, BGH owes its survival to government tinkering. Special tax breaks and high trade barriers have turned this remote outpost into the source of 90 percent of the air conditioners, cell phones, TVs and microwaves sold in Argentina.

Now, it has perhaps the most to lose as President Mauricio Macri works to modernize Argentina's closed economy. The former businessman has already lifted some import restrictions and began unwinding costly subsidies for electricity and other utilities, hitting electronics sales.

Tierra del Fuego, home to just 150,000 people, is feeling the sting. Amid a deep recession, it shed 6,000 jobs last year, a 13 percent drop that was the sharpest for any province.

Output has plunged at many of the area's factories, including BGH. The Argentine company's TV set-top box business has dwindled to a single assembly line, down from five a few years ago. Its laptop unit closed last year, and the air condition-

er lines run a single shift per day, down from two earlier this year. The company's woes are emblematic of the pain rippling across Argentina's wider industrial sector, where employment shrank by 4.6 percent, or 58,000 jobs, between November 2015 and May 2017, according to Buenos Aires consultancy Elypsis.

The losses carry risks for Macri, whose 2015 presidential victory ended 12 years of populist rule. Former President Cristina Fernandez's welfare spending, electricity subsidies and industry protections were applauded by many poor and working class Argentines, but the measures generated inflation and pummeled public finances.

Macri has won plaudits from investors by winding down those distortions. But the policy shifts have generated some losers in the near-term, including factory workers left without jobs and families saddled with higher power bills. Whether Argentines feel the economic recovery that is underway will be crucial to the performance of Macri's market-friendly "Let's Change" coalition in October's mid-term legislative elections. "The government changed the rules of the game," said Diego Teubal, executive director of BGH's consumer division.

Emboldened by trade protections under the leftist Fernandez, the company invested in new equipment and doubled its Rio Grande workforce to nearly 2,600 people. Under Macri, BGH has slashed its payroll to just over 1,000 workers

and begun importing some electronics from China. "The idea that at some point that could change is always in the back of your mind," Teubal said.

A pricey label

Nowhere are decades of interventionist policies more evident than in Tierra del Fuego, a mountainous, wind-swept archipelago often referred to as the "end of the world." Cut off from the mainland by the frigid Strait of Magellan, the region is divided between Argentina and Chile. Worried about the military designs of its neighbor, Argentina in 1972 turned its portion of the main island into a special economic zone free of many taxes to lure people and businesses to settle there.

The region boomed under Fernandez, who slapped taxes on imported electronics and used import permit requirements to freeze trade. Foreign firms such as China's Huawei Technologies Co Ltd and Canada's Blackberry Ltd hired local Argentine factories to produce their products. But the Made-in-Tierra-del-Fuego label is a pricey one. To attract workers, factory salaries are three times higher than the national average. Shipping costs are exorbitant. Foreign-made parts first land in Buenos Aires, where they are loaded onto trucks for the 1,800 mile journey south. Once assembled, the finished goods head back the way they came. — Reuters

GULF BANK ANNOUNCES 3 WINNERS OF ITS MONTHLY RED ACCOUNT DRAW

KUWAIT: Gulf Bank is pleased to announce the three lucky winners of its eighth monthly red account draw for year 2017, which was held at the bank's head office, on Monday, 21 August 2017, under the supervision of Ministry of Commerce and Industry.

The red account draw resulted in the announcement of three students who won prizes ranging from an iPhone 7 plus to an Apple Watch and they are:

- Abdullah Hani Hussain Al-Hadad - iPhone 7 Plus
- Abdullah Tareq Abdullah Al-Ryahi - iPad Pro
- Danah Husam Mohammad Abdullah-

Apple Watch

Gulf Bank's red is a dedicated account for high school, college and university students aged between 15 and 25, which does not require a minimum deposit. Eligible customers will get the chance to enter the draw automatically and on a monthly basis, upon transferring their student allowances.

Each month, an iPhone 7 plus, an iPad Pro, and an Apple Watch will be gifted to three lucky winners until January 2018. The next draw dates are announced as follows:

- September 28, 2017
- October 23, 2017
- November 20, 2017
- January 11, 2018

