# Norway dips deeper into oil riches

**OSLO:** Norway plans to spend a record amount of its oil riches next year-an election year-to stimulate its economy hit hard by oil price weakness, a budget bill presented yesterday showed. The right-wing government plans to use 225.6 billion kroner (25 billion euros, $28 billion at current exchange rates) of its oil revenues in 2017, or 20 billion kroner more than this year. That corresponds to an extra 0.4 points of gross domestic product (GDP), the government said in the budget bill.

Norway's oil-dependent economy has slowed considerably as a result of the falling oil price, which has dropped from around $115 per barrel in mid-2014 to around $50 now. But the economy is showing signs of recovery. Thanks to interest rate cuts, a weaker Norwegian krone, and an expansionary budget policy, growth is picking up and the unemployment rate appears to be topping out at the enviable level of around 5.0 percent.

Mainland GDP-excluding oil, gas and shipping-is expected to tick in at 1.0 percent this year, 1.7 percent next year, and 2.4 percent in 2018, according to the government's forecasts. "But it's too early to say that the Norwegian economy is cured," Finance Minister Siv Jensen said as she presented the 2017 budget bill. The government therefore plans to spend up to 3.0 percent of its sovereign wealth fund, the world's largest, today worth around 7.13 trillion kroner (793 billion euros, $886 billion euros). That's more than the 2.8 percent used this year, but less than the 4.0 percent maximum that is authorized.

The country's September 2017 legislative elections look set to be a close race between the ruling coalition-made up of the Conservatives and the anti-immigration populist right-and the leftwing opposition. The budget bill calls for tax breaks for households, a one-point reduction of the corporate tax rate to 24 percent, a tax hike on petrol, and sets a seven-percent target for biofuels' market share. The minority government will now undertake negotiations with its centre-right allies in parliament to win their backing for the budget, which means it could see some amendments before being passed. — AFP

# Protectionism's rise 'a delicate balancing act'

## Defending globalization - but acknowledging the pain

**WASHINGTON:** Protectionism's rise in Europe and the United States is pushing the world's economic leaders toward a delicate balancing act: defending globalization but acknowledging the pain that sometimes comes with it. With the US presidential elections a month away, the annual meetings of the World Bank and International Monetary Fund kicked off this week in Washington with a stern warning: For the world to turn its back on trade now would only worsen the ills of a flagging global economy.

"Increasing pressure for inward-looking policies are a particular threat to the global outlook," the IMF said in downgrading growth forecasts for advanced economies, pushing concerns about Deutsche Bank's stability and China's commercial debt binge into the background. The president of the World Bank, Jim Yong Kim, urged world governments to banish "the storm clouds of isolationism and protectionism," saying that open borders had lifted a billion people out of poverty in over a quarter century.

### Unreceptive audience

Long bandied about by the major international financial institutions, this message faces an increasingly unreceptive audience. In the United States, long a bastion of trade liberalization, Republican presidential nominee Donald Trump has rallied supporters by promising a trade war with China and retaliatory import duties on Mexico. Across the Atlantic, the British vote to secede from the European Union threatens to spur other countries to roll back economic integration in Europe. The free-trade pact currently under negotiation with the United States, known as the Transatlantic Trade and Investment Partnership, faces stiff resistance in Europe.

Bit by bit, globalization finds itself accused of depressing wages, causing industrial decline and keeping low-skilled workers unemployed. Against a backdrop of sluggish global trade, these accusations extend far beyond the insular clique of activist NGOs and are starting to threaten established dogma. But Germany says it will hold the line. "We are committed to build an open world economy, reject protectionism, promote global trade and investment," German Finance Minister Wolfgang Schauble said in a statement published Wednesday on the IMF's web site. And for now, only a few countries, such as Poland, have gone so far as to enact protectionist measures.

### A reckoning

But the possibility of a re-set, or at least a rhetorical one, is setting in amongst the world's financial centers, which fear they risk encouraging populist movements by remaining deaf to the rising grievances about globalization. The IMF and its managing director Christine Lagarde have been foremost in this reckoning, conceding that global growth benefits too few and globalization's losers should receive dedicated support.

In an opinion piece published Wednesday in The Wall Street Journal and co-authored with the heads of the World Bank and World Trade Organization, Lagarde also said global trade should benefit everyone. "Despite the tremendous benefits of trade, too many people feel it has left them behind," the co-authors said. "Transforming trade into an engine of growth for all... requires reinvigorating trade integration, not rolling it back."

There is no telling, however, whether this will suffice to weaken the appeal of protectionism, which is fed not only by economic malaise but also by a rejection of economic elites, which are epitomized by the World Bank and IMF. The rise of protectionism is a sign of "a fundamental distrust of the financial elites," said Paulo Nogueira Batista, vice president at the New Development Bank. "The problems that arose in the banking sectors, the multiple instances of fraud, misconduct, the failure of the organizations in Washington to face up to the challenges... this all created a mixture of resentment, a feeling that this system doesn't represent the people," he said. — AFP

# Irish central bank cuts 2016 growth forecast

**DUBLIN:** Ireland's central bank said yesterday it had cut its economic growth forecast for the second quarter in a row, citing weakness in exports and domestic demand. It said risks were clearly tilted to the downside due to the uncertain impact of Britain's exit from the European Union. The Irish economy will grow by 4.5 percent in 2016, down from a forecast three months ago of 4.9 percent, the bank said in its quarterly report. Ireland's finance ministry on Tuesday cut its 2016 forecast to 4.2 percent.

At that pace, Ireland will still probably be the EU's best-performing economy. But the country's focus on exports and its trade ties to Britain make it especially vulnerable to the effects of Brexit. The Central Bank said it had refrained from cutting its forecast of 3.6 percent GDP growth in 2017 as the impact of Brexit remained so unclear. The finance ministry is forecasting growth of 3.5 percent. "The initial fears in relation to the impact of Brexit on the UK economy have given way to a less pessimistic assessment in recent months," Central Bank Chief Economist Gabriel Fagan said in a statement.

But "the potential for adverse macroeconomic, financial and currency market effects to quickly re-emerge remains," he added. "In such circumstances, risks to the latest forecasts remain clearly tilted to the downside." The central bank said the cut to the 2016 growth forecast largely reflected a reduced contribution from exports, with growth of 5.6 percent seen rather than 6.4 percent, with some moderation also seen in domestic demand growth. "A wide range of domestic spending and activity indicators suggest that Irish economic activity continues to expand at a healthy pace, though growth momentum may have slowed slightly over the first half of the year," Fagan said. — Reuters

# Greek doctors, paramedics protest severe health cuts


**ATHENS: Greek state hospital staff march in central Athens with a horse carriage transferring a mock emergency during a protest against the underfunding of hospitals and to demand hiring more staff yesterday. — AFP**

**ATHENS:** Holding black helium balloons and parading an effigy of a dying patient, striking public hospital and ambulance workers marched through Athens to protest severe cuts in public funding for the national health service. Health care workers held a 24-hour strike yesterday, leaving hospitals running with emergency staff. Protesters marched past 10 state-run hospitals before reaching the health ministry.

Per capita spending on health has been axed by a nearly a third since 2009 as the government made cuts required by its bailout programs. That has created longer waiting lists for treatment, staff shortages, and frequent medical equipment failure at Greek hospitals. Health unions accuse the left-wing government of delaying plans to hire more hospital staff, which they argue would cover just 20 percent of jobs lost due to austerity measures. — AP