

Globalization & Sustainable Development Program

February 2013 Newsletter

GDAE Helps IMF Take “Half Step” on Capital Flows

The International Monetary Fund issued [new guidelines](#) on the use of capital account regulations, and GDAE’s co-sponsored [Task Force on Regulating Capital Flows](#) has continued to



track and engage with the process. In a widely syndicated [piece for the Project Syndicate](#), Gallagher called the reforms an important “half step,” important for acknowledging the value of such tools for developing countries to prevent damaging swings in currency values and contagion from international financial markets. His Pardee Policy Brief, “[The IMF’s New View on Financial Globalization: A Critical Assessment](#),” goes into more detail. His [Financial Times](#) piece circulated widely, as did a piece on the issue by [The Globalist](#), which appeared in [China Daily](#), [Valor Econômico](#) (Brazil), [The Financial Express](#) (India). Gallagher also authored a provocative article in *Global Policy*, “[Social Costs of Self-Insurance](#)” that shows that the another way to regulate capital flows—by accumulating foreign exchange reserves—can be quite costly for emerging market and developing countries.

GDAE released new analysis of the incompatibilities between the new recognition of the validity of capital regulations and most U.S. trade agreements, which prohibit them. Gallagher teamed with the co-chair of a Pardee Task Force Leonardo E. Stanley to publish a policy brief, “[Global Financial Reform and Trade Rules: The Need for Reconciliation](#),” in advance of the full Task Force Report, slated for release in March. Gallagher reiterated the contradictions in meetings with congressional leaders, and published his perspective in *Al Jazeera*, “[Trade rules should not constrain fixing global finance](#).” While GDAE continues its work on [Capital Flows and Development](#), Gallagher has been awarded a grant from the Institute for New Economic Thinking (INET) to collect some of his analysis on capital flows into a [book](#).

Globalization Research

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Pushing for Progress in Resolving the Food Crisis

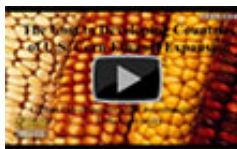
Timothy A. Wise has been following up on his report of one year ago, "[Resolving the Food Crisis](#)," with a new assessment and new research. He and co-author Sophia Murphy published in [Al Jazeera a one-year assessment](#) of progress – and the lack thereof – in addressing the root causes of the food crisis: biofuels expansion, financial speculation, low public food reserves, climate change, and weak investment in smallholder agriculture at a time with foreign investors continue to gobble up land in developing countries. The assessment followed Wise's earlier analysis in *World Politics Review*, "[Global Food Security in a Volatile World](#)." He presented his research at the U.N. Committee on World Food Security in October, participating in the institution's civil society discussions and in an expert panel on food reserves. In November, GDAE hosted U.N. Special Rapporteur on the Right to Food Olivier De Schutter. (Watch his presentation [here](#).)



In October, Wise released new studies on two of the drivers of high and volatile food prices. In Mexico, he presented "[Achieving Mexico's Maize Potential](#)," a comprehensive review, with co-authors Antonio Turrent and Elise Garvey, of Mexico's potential to reduce its import dependence by investing in smallholders. The paper, which was also released in Spanish by the Woodrow Wilson Center, was widely covered in the Mexican press and in an IPS wire story, "[Mexico Could Say Goodbye to Imported Maize](#)." Wise presented the main findings in a [Triple Crisis Blog post](#). The work is part of Wise's research on [Revaluating Smallholder Farms](#).



Wise also released the new paper and report, with ActionAid, "[Fueling the Food Crisis](#)," which estimated the seven-year costs to developing countries of U.S. ethanol expansion at more than \$9 billion from higher import prices. The report was featured in a *New York Times* article, "[As Biofuel Demand Grows, So Do Guatemala's Hunger Pangs](#)" and presented in Wise's own [Al Jazeera article](#) and [interview on Real News Network](#).



Major Initiative on China's Growing Role in Latin America

GDAE has launched a new initiative on "China in Latin America: Environmental and Developmental Dimensions," with a generous grant from the Charles Stewart Mott Foundation. Built on Kevin Gallagher's longstanding work on [China and Latin America](#) and his book [The Dragon in the Room](#), the project will disseminate GDAE research on the issue in Latin America and China and develop further data and analysis, in close collaboration with researchers and non-governmental groups in the region. The initiative already has great momentum. In January, GDAE collaborated with the Mexico-based Center for the Study of China and Mexico (CECHIMEX) to publish an updated and translated [Spanish](#) version of "[New Banks in Town: Chinese Finance in Latin America](#)." The report, which finds that China contributes more financial support to Latin America than the World Bank, Inter-American Development Bank, and U.S. Export-Import Bank combined, received [mentions](#) from outlets such as the *New York Times*, the *Financial Times*, and the *Wall Street Journal*. The Spanish version was covered in the region, including by Ecuador's [La Hora](#). Portuguese and Chinese translations of the report are planned for later this year.



On November 5, 2012, GDAE hosted CECHIMEX's Enrique Dussel Peters, who discussed his new [Working Group on Latin America](#) Discussion Paper, "[Chinese FDI in Latin America: Does Ownership Matter?](#)" This discussion paper finds that Chinese state involvement in the country's foreign direct investment has important implications for its impact in the region. In December, the Inter-American Dialogue published Gallagher's policy brief, "[Capitalizing on the China Cycle: Time is Running Out for Latin America](#)." The same week, Amos Irwin and Gallagher released their co-authored paper, "[Chinese](#)

[Investment in Peru: A Comparative Analysis](#),” examining environmental and social performance of Chinese and U.S. mining firms in Peru.

Program updates

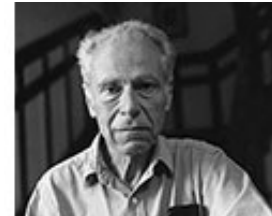
Timothy A. Wise is coordinating a collaborative research project with Jayati Ghosh of Jawarahal Nehru University and Biswajit Dar of the Delhi-based Research and Information Systems for Development Countries (RIS) on "Food Crisis: Trends and Policy Responses." Wise will write on "Understanding the links between food, fuel, and financial markets." Other contributors include Sophia Murphy and Benoit Daviron.

Kevin P. Gallagher conducted an interview with *The Guardian's* Larry Eliot just prior to the Presidential election. Watch [Mitt Romney's five-point economic plan divides Massachusetts voters](#). Also read his thoughts on [Romney's Latin American Trade Plan](#), published by *Americas Quarterly*.

In recent months, the Triple Crisis Blog has published three opinion pieces by [Timothy A. Wise](#) on US biofuels policy and its impact on developing countries. Kevin P. Gallagher authored a post entitled "[IMF May Be on Collision Course with Trade Policy](#)" and a [tribute to Alice Amsden](#).

March 7th: Leontief Prize to go to Hirschman and Stewart

GDAE will award the [2013 Leontief Prize](#) to two of the world's leading development economists: Frances Stewart and the late Albert O. Hirschman (pictured at right). We will live stream the lectures by Dr. Stewart and Dr. Jeremy Adelman, Dr. Hirschman's biographer. Visit our website to [learn more about the recipients](#) and read a collection of tributes to Dr. Hirschman.



Recent Publications:

[Resolving the food crisis: The need for decisive action](#), Timothy A. Wise and Sophia Murphy, *Al Jazeera*, Jan 30, 2013

[¿Un mejor trato? Análisis comparativo de los préstamos chinos en América Latina](#), Kevin P. Gallagher, Amos Irwin, and Katherine Koleski, Centro de Estudios China-México UNAM, Jan 2013

[The IMF's New View on Financial Globalization: A Critical Assessment](#), Kevin P. Gallagher, *Pardee Center Issues in Brief*, No. 26, Dec 2012

[Chinese Investment and Sustainable Development in Peru: A Comparative Analysis](#), Amos Irwin and Kevin P. Gallagher, *Working Group Discussion Paper DP34*, Dec 2012

[Capitalizing on the China Cycle: Time is Running out For Latin America](#), Kevin P. Gallagher, *Inter-American Dialogue Policy Brief*, Dec 2012

[The Social Cost of Self-Insurance: Financial Crisis, Reserve Accumulation, and Developing Countries](#), Kevin P. Gallagher and Elen Shrestha, *Global Policy Journal*, Nov 2012

[Global Food Security in a Volatile World](#), Timothy A. Wise, *World Politics Review*, Nov 6, 2012

[Chinese FDI in Latin America: Does Ownership Matter?](#) Enrique Dussel Peters. *Working Group Discussion Paper DP33*, Nov 2012

[Achieving Mexico's Maize Potential](#), Antonio Turrent Fernández, Timothy A. Wise, and Elise Garvey, *GDAE Working Paper 12-03*, Oct 2012

[Fueling the Food Crisis: The Cost to Developing Countries of US Corn Ethanol Expansion](#) Timothy A. Wise and Marie Brill, *ActionAid Policy Report*, Oct 2012.

[The Cost to Developing Countries of U.S. Corn Ethanol Expansion](#), Timothy A. Wise, *GDAE Working Paper 12-02*, Oct 2012

Coming Soon:

“Climate Impacts on Agriculture: A Challenge to Complacency?” Frank Ackerman and Elizabeth A. Stanton, *GDAE Working Paper*

“Capital Account Regulation and the Trading System: A Compatibility Review” Kevin P. Gallagher, Task Force on Regulating Global Capital Flows for Long-Run Development

A database of Chinese Development Bank projects in Latin America, Kevin P. Gallagher, *Inter-American Dialogue*

“Is there a Chinese Model of Development Finance?” Kevin P. Gallagher, *Inter-American Dialogue Policy Brief*

“Can we feed the world in 2050? An assessment of the evidence,” Timothy A. Wise, *GDAE Working Paper*

Spanish & Chinese translations of “Regulating Global Capital Flows for Development” Task Force on Regulating Global Capital Flows for Long-Run Development

“Understanding the links between food, fuel, and financial markets,” Timothy A. Wise, *RIS Report*

The [Globalization and Sustainable Development Program](#) examines the economic, social and environmental impacts of economic integration in developing countries. The goal of the program is to identify policies and international agreements that promote sustainable development.



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