

'Fast, large-scale shift to green energy vital to mitigate looming global financial crisis'

JT jordantimes.com/news/local/'fast-large-scale-shift-green-energy-vital-mitigate-looming-global-financial-crisis'

By JT - Oct 20,2018 - Last updated at Oct 20,2018

Talal Abu-Ghazaleh

AMMAN – It is 2020. America has sneezed and Jordan, among many other countries, has caught pneumonia: a new a "graver" economic crisis is at play, predicts Talal Abu-Ghazaleh, founder and president of Talal Abu-Ghazaleh Group (TAG).

Abu-Ghazaleh, a knowledge mogul, whose group operates all over the world through more than 100 branches and representation offices, is not the first expert to predict that a new financial meltdown is looming, and is expected to hit hard in less than two years.

In an interview at his office last week, he said the financial crisis is even "coming sooner than predicted", necessitating swift precautionary action from Jordan, which has not, yet, revived from a series of blows to its economy, including regional turmoil that started three years after the crippling 2008 global financial crisis.

He defines "precautionary action" as quick steps to license large consumers of electricity to install a solar system to significantly reduce power consumption and ease the expected impact of upcoming challenge.

Why is the crisis "inevitable?"

Although speculations of a new crisis have been in prominent international media outlets for more than a month now, Abu-Ghazaleh sees it from a different perspective.

On September 13, Nouriel Roubini, professor of economics at New York University's Stern School of Business and co-founder of RGE Monitor, an innovative economic and geo-strategic information service, and Brunello Rosa, co-founder and CEO at Rosa & Roubini Associates, and a research associate at the Systemic Risk Centre at the London School of Economics, identified in a Guardian article 10 reasons why the crisis is definitely at the corner of the road. They foresee, for example, that the fiscal-stimulus policies that are currently pushing the annual US growth rate above its 2 per cent potential are unsustainable.



In addition, with the rising inflation above target, "the US Federal Reserve will thus continue to raise the federal funds rate from its current 2 per cent to at least 3.5 per cent by 2020, and that will likely push up short- and long-term interest rates as well as the US dollar". Jordan will customarily follow suit of the Fed and the country will go into a deeper state of stagflation, when stagnation is coupled with snowballing inflation.

Abu-Ghazaleh agrees with other pundits that when growth rates dip – in an election year – US President Donald Trump is likely to "manufacture a crisis". But unlike everyone else, Abu-Ghazaleh does not see Iran as the target of a possible war waged by the US. He expects a war or a near-war situation with China, because maintaining the status quo with Iran is necessary for Washington to keep asking for "protection money" from the rich Gulf states.

"After all," he says, "wars are created to arrive at agreements. Trump wants a new world order and the main adversary is China." He might push the situation with Beijing to escalate to a boiling point and then sit with the Chinese to strike a deal.

'It has to do with oil'

Another point of disagreement between Abu-Ghazaleh and the analyses of international expert is oil.

TAG's president goes with reports that the shale oil industry in the US cannot sustain itself, foreseeing a return of the US to the status of a "buyer". A study cited by oilprice.com indicates that the industry is facing a severe cash flow problem and going through bottlenecks.

According to Abu-Ghazaleh, the price of oil is likely to rise above \$100 by 2020, leaving oil-poor countries like Jordan gasping for air.

In all cases, he says, the Kingdom needs to act immediately by facilitating and encouraging large consumers, such as factories, hospitals and hotels to go green, among other measures that would lead to drastic cuts in electricity consumption to mitigate the inevitable. He notes that many of these establishments have applied for licenses to install solar systems, but they are facing red-tape hurdles.

Asked if private electricity companies would be lobbying hard to prevent easy access to solar power, Abu-Ghazaleh, whose company is a small consumer and already has its licence, replied with an anecdote: In the 1970s, he recalls, Egypt did not allow any outsider audit company to operate in the country. However, when Kuwait made a donation to Egypt, it insisted that TAG's audit firm, which was then based in the Gulf emirate, handle the deal in Cairo. Local auditors, fearing the competition, protested to the then president Anwar Sadat, who replied: "The national economy is more important than your businesses."