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Indian expectations on economic growth

Jayanthi Gosh, JNU Professor and Economist at UNCTAD report launch slams Indias expectations on economic growth. She

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Austerity will not help to economic recovery

UNCTAD Report says austerity measures and wage cuts carried out in many developed countries in the belief they would spur recovery, are “dampening domestic demand", instead.

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FRIENDS FOREVER

image courtesy: http://img.niticentral.com/

INDIA WAS NOT WRONG ON TFA - UNCTAD

Vienna, Sep 12: India’s argument that a trade facilitation agreement (TFA) is not of immediate benefit to global trade nor fulfils the World Trade Organisation’s development agenda has been backed by a UN body that says modernising customs procedures will not address the main constraints to trade today.

The United Nations conference on trade and development (Unctad) in its 2014 trade and development report reminded the 160-member WTO, in particular the industrialised nations, that global trade has neither slowed down nor remained quasi-stagnant because of higher trade barriers or supply-side difficulties; its slow growth is the result of weak global demand. “A lopsided emphasis on the cost of trade (trade facilitation), prompting efforts to spur exports through wage reduction and internal devaluation would be self-defeating and counter-productive, especially if such a strategy is pursued by several trade partners simultaneously,” the report released on Wednesday said.

The observation comes at a time when industrialised nations, particularly the United States and the European Union, have been trying to push TFA down the throats of developing countries and isolate India because it blocked the TFA at WTO’s general council meeting in Geneva before July 31, insisting that it could be signed only along with a permanent solution to public stockholding of food grain, aimed at eradicating poverty among the emerging markets' starving billions. At the same time, the report is also a warning to India. (cont at page 3)

(news courtesy: mydigitalfc.com)

Indian economy to grow 5.6 pc in 2014 says UNCTAD; Jayanthi Gosh cautions of bubbles

The Indian economy will grow at a rate of 5.6 per cent in 2014 while developing economies as a whole will see between 4.5-5 per cent rise in economic expansion, says UNCTAD forecast. Improved performance of mining, manufacturing and services sector pushed India's economic growth rate to two-and-half-year high of 5.7 per cent in April-June quarter. The UNCTAD Trade and Development report 2015 forecasts that developing economies as a whole are likely to repeat the performance of previous years, growing at between 4.5 and 5 per cent. It forecasts China's economy to grow by 7.5 per cent in 2014.

Speaking at the report launch, Jawaharlal Nehru University Professor and economist Jayati Ghosh, however, said expectations may need to be tempered. "This recent (domestic GDP) growth that everyone is getting excited about it, that there is possibility for 7 or 8 (per cent), yes it is possible but what are we seeing so far, we are seeing another bubble being generated," Ghosh said.

"It is not growth based on sustained foundations and the bubble will again be associated with construction, house prices etc. Rather than sustained demand of basic needs, basic infrastructure and so on. So, I am a little wary of this recent recovery. I don't think that a recovery based on these is a sustainable one and I think it would leave us with bigger problems in future," she added. Expressing concern over power sector issues, Ghosh said. She further continued to say worrying

"There are at least 16 and I think possibly 25 major power investments that are half complete, and are possibly never to be completed, all of which have taken public sector loans which are paid for finally by all of our money and which are never going to repay".

The UNCTAD report forecasts that growth will exceed 5.5 per cent in Asian and sub-Saharan countries, but will remain subdued at around 2 per cent in North Africa and Latin America and the Caribbean. Meanwhile, transition economies are expected to further dip to around 1 per cent, from an already weak performance in 2013. The report further said in an increasingly globalised economy, it is difficult to regulate domestic finance if international financial markets are unregulated. "In order to establish domestic macro economic and financial conditions that support growth, Governments should have suitable policy instruments for managing international capital flows at their disposal," it stated. (news courtesy: goodtimes.in)

As Indo- Aus Energy Business takes off High, there are some who are left unhelped: Sydney Morning Herald

"India has an absolutely impeccable non-proliferation record……..it (India) has been a model international citizen. India threatens no one." These words of Tony Abbott has defended an agreement to sell uranium to India, describing it as a "model citizen" with peaceful ambitions. The Abbott government wants to capitalise on trade opportunities with the new administration of Modi, who made energy security a key plank of his reform platform. Mr Abbott nominated the proposed Adani mine which, if it proceeds, would be Australia's largest coal mine."That will power the lives of 100 million Indians. It's one of the minor miracles of our time: that Australian coal could improve the lives of 100 million Indians" he continue to say.

But then Gautam Adani who has won federal approval for what will be Australia's largest coal mine and a major port expansion in Queensland is facing accusations of massive exploitation of his Indian workforce with under payments and exposing them to cholera. Fairfax Media investigation into the treatment of 6000 construction labourers at a project in Gujarat owned by the Adani family has uncovered lax safety standards, underage workers and regular cholera outbreaks from contaminated drinking water. It is said that many of these labourers are paid well below the minimum wage of $4 a day. Prayas Centre for Labor Research and Action in Ahmedabad says by outsourcing labour to multiple contractors, the Group has avoided complying with laws. Adani group now seeks expressions of interest from atleast 5000 labours to work in Australian port and mine.

'Trade barriers and supply side constraints not the reasons for slow global trade' - UNCTAD

(From page 1...) When UN reports say that the way to expand trade at global level is through a robust domestic demand-led output recovery at the national level, and looks down upon trade facilitation as a method to foster the growth of global trade, its not just a backing to India who voted against TFA, but also a strong warning to the existing Modi regime. This is mainly because the central government of teh nation is now trying to adopt export-led growth like China to get back on the high growth path.

The report clearly states that only domestic demand-driven growth will help economic recovery. It says trade facilitation at best will make the trading system more efficient in the longer term. The report further questions whom will the TFA benefit. Nevertheless Indian bureaucrats takes the opportunity to further lament the TFA deal.

The main arguments put forward by the Indian officials are (1) The US and the EU having already put in place these trade facilitations would not have to incur any additional expenditure, but the poor countries would have to spend huge amounts on fixing port facilities and customs procedures for the benefit of the industrialised nations (2) Increased trade because of better trade facilitation would help industrialised countries more than developing countries because higher value addition takes place in industrialised nations as most of the intellectual property rights are held by them. A global study on value addition points out that the benefits of a $1,000 increase in exports from the United States will help the Mexican economy increase exports by $8. On the other hand, $1,000 worth exports from Mexico will benefit the US by $138. (3) While Industrialised nations claim that the TFA would help to provide an additional 21 million jobs, Indian officials claim that these additional jobs would be created in the western world at the expense of poor countries.

(news courtesy: mydigitalfc.com)

'Change economic policies, pay more wages - thats the way to sustainable growth' says UNCTAD

image courtesy: unctad.org

Vienna, Sep 12: The UN Conference on Trade and Development says rich and poor countries must change their economic policies in order to stimulate growth and prevent a resurgence of the problems that caused the recent financial crisis, and has warned that recovery of global output remains weak. The report said further that the policies supporting the recovery are frequently inadequate, as they do not address the rise of income inequality, the steady erosion of policy space along with the diminishing economic role of governments and the primacy of the financial sector of the economy, which, are the root causes of the crisis of 2008.

The report was especially critical of austerity measures and wage cuts carried out in many developed countries in the belief they would spur recovery, insisting that they instead were “dampening domestic demand.” It said that such claims are being used to falsely claim success for austerity policies and pro-market reforms.This is dangerous since it was leading to calls to withdraw “precautionary measures and stimuli” in developed countries and recommendations that developing countries follow the same austerity path, the report said. Instead the Report has called on employers to improve remuneration for workers to boost economic activity. The report lists higher levels of income, expansion of modern sectors of the economy, widening regional markets and shrinking the informal economy as ways of avoiding the financial crisis of 2008.“This in turn allows for higher growth-enhancing public spending,” the documents says. Unctad argues that improved pay should be pegged on productivity and paying the right people rather than the need to secure profits. The Secretary-general Mukhisa Kituyi said in Nairobi that boosting incomes “at the base of the pyramid” is the surest way of growing the economy rather than depending on international trade. Alfredo Calgano, who coordinated the 242-page report said that “The recovery engine must be rooted in the demand side.”

(news courtesy: sify, daily nation and taipei times)

DOWNWARD TRENDS FOR INDIAN BUSINESS AT SAARC

In the Maldives, the GMR Group of India, which embarked on an airport modernisation project in 2010, had to exit the project due to unilateral termination by the Maldivian government in 2012.

Earlier in Bangladesh in the early 2000s, the Indian group Tata's proposal to invest US$3.6 billion in a urea fertiliser plant and a steel mill and the Mittal Group's proposal to invest US$2.5 billion in a steel mill, both fell apart due to domestic political developments.

In Sri Lanka, the Indian Amul Company came to the market in 1997 for liquid milk production and functioned till 2000, and then pulled out its investment due to trade union hostilities in the factory incited by the milk powder import lobby in Sri Lanka.

What is to be discerned in general from these incidents is a non-friendly attitude (not necessarily hostile) towards Indian FDI in the region. One must rightly think about the quesstion whether these countries fear Indian domination? Saman Kelegama is the Executive Director of the Institute of Policy Studies of Sri Lanka answers this question positively and asserts that these nations are much friendlier to non-Indian sources of FDI. Her article is published at a point where Bangladesh and Srilanka are found more seemingly fascinated by Chineese and Japaneese support. Bangladesh had withdrawn its bid for a non-permanent seat on the U.N. Security Council for 2015-16 in favor of Japan. Sri Lankan President Mahinda Rajapaksa had also welcomed the attention of Japan as a donor and investor and as a counterweight to China, which financed a $500 million port terminal in Colombo that was opened last year.

The rising economic presence of China in the Indian Ocean region has stoked concerns in New Delhi that China is creating a "string of pearls" that surrounds India and threatens its security. To counterwiegh such expansionist tendencies the new government has come up with a neighbourbood first policy. But that will require immense will and power to switch the times to the Indian side, given the poor economic association with SAARC nations.

It must be noted that while FDI from large developing countries like China and Brazil is heavily concentrated in other developing countries, during the past decade, the destination of Indian FDI has shifted in favour of developed countries and transitional economies. (news courtesy: East Asian Forum)

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(CED&L) is an inter-disciplinary centre established under Government Law College, Thrissur, Kerala. The proposed centre envisages to be a platform for academic discussion and as a creative think-tank for studying, analysing and interpreting various socio-economic and legal issues. This forum intends to generate perceptual framework to explore and understand social issues and events, thereby enabling the people and institutions to create best possible models in policy making and legal practices. Students, academicians, jurists, journalists, politicians and anyone who wishes to offer his/her creative and intellectual input are invited to be part of the forum.

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