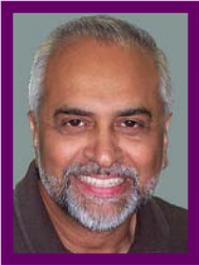


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Ashok Dhillon has 40 years of front-line business experience in Canada and International markets. He has founded and led companies in construction and international power development.

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Mr. Dhillon has been invited to speak on international business at various forums, including as an expert witness for the Standing Senate Committee, Government of Canada, on "The Rise of Russia, China and India".

## Indian Economy, 2014 – Excerpt from Global Economy, 2014 - Looming Catastrophe Part 2



### India:

The largest Democracy in the World and the second largest consumer market after China has faltered. Unfortunately India has a penchant for neutralizing its own strengths and consistently magnifying its many weaknesses.

India has a far better internal consumption market than China. In fact, its economy is solidly and reliably supported by its internal market, comprising of its population of over 1.2 Billion. India's internal consumption makes up approximately 60% of its GDP, versus 35% of China's. And this huge internal market has protected India many a times from severe external economic shocks.

Additionally, India has possibly the best demographics of any country in the World, as almost half of its massive population of over 1.2 Billion people (*projected to pass China's 1.3 Billion*) is less than 25 years of age. This compares favourably to most large developed or emerging economies that are facing deteriorating demographics.

Additionally, as a legacy of the British, India has the advantage of having hundreds of years of head start, over countries like Japan, South Korea, China, Russia, Latin and South America, and others, in the knowledge and use of the English language, which is the accepted Universal and business language of the World. Also as a legacy of the British Raj, India has a small (*compared to the total of the private and public educational system*) but excellent number of mostly private 'English-Medium' schools, colleges and universities that produce well educated graduates (*in basic education*) who are able to communicate and integrate with relative ease with the global community. Yet, India squanders these strengths, and does not cultivate them with any real sense of focused nationalistic development, through targeted policies, due to the inexorable rise of politics of division since Independence.



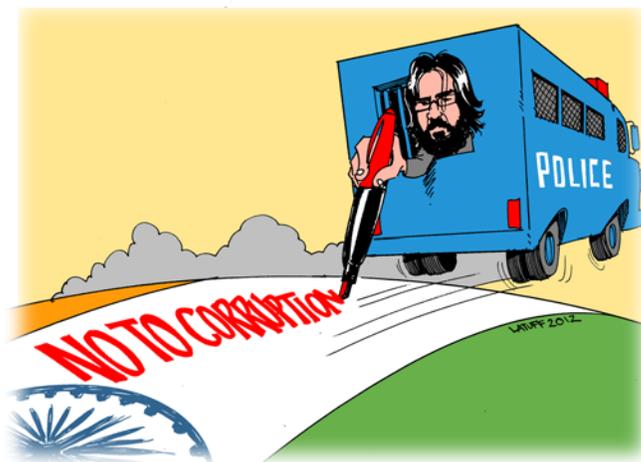
Indian  
Economy, 2014  
– Excerpt from  
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In the environment of divisive politics, all assets left behind by the long departed English, or those representative of a modern society, including, computers, certain technologies, higher education for girls, the English language, western wear etc. are used by some of the politicians as symbols of past foreign domination, to stir up community or national sentiment. The children of these same politicians are, in the mean time, studying in expensive schools within India, or **abroad**, and availing themselves of all advantages, while their parents passionately denounce foreign influences within India. The hypocrisy of such politicians is hidden from most of their constituents, as the constituents are mostly rural and largely unaware, or choose to ignore the double standards being indulged in by the politicians. Such hypocrisies are common to the global political realm as dysfunctional and corrupt politicians point to 'foreign' influences to deflect the scrutiny otherwise directed at them. But in India, because of the sheer size of its political diversity and population, and its overall underdevelopment, such practices can bring on populist but highly damaging policies that set India and its development back by years, if not by lost decades.



Additionally, India's entrenched culture of pervasive corruption has increasingly swung its vast ethnic, religious and caste diversity towards divisive politics, making it fertile ground for generally ignorant, petty and incompetent politicians, to sow seeds of suspicion and division. By doing so, they appeal to their own particular communities for votes, in their bid to rise to power and position, which once attained is mostly unaccountable to the people.



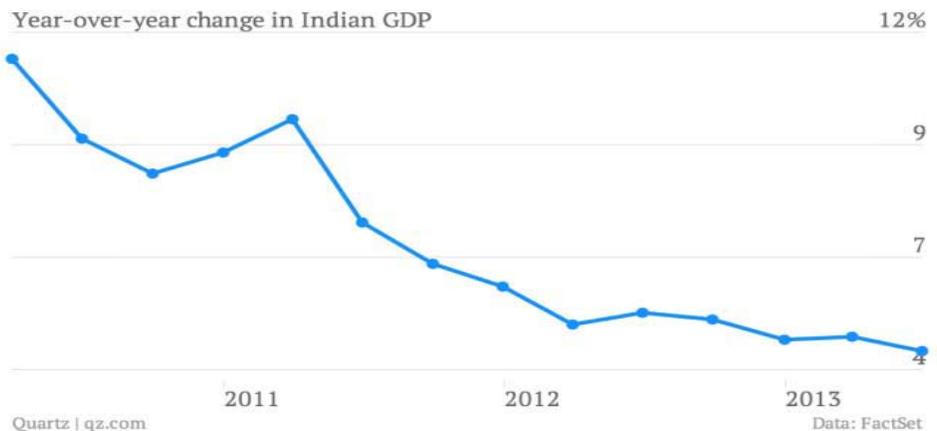
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To be fair to India, it's not exclusive in its political class being corrupt enough to use whatever means available to it, to attain and retain political power. Such a political reality is all too distressingly common to most countries, but in India the sheer scale of the extraordinary challenges facing it, makes divisive politics and corruption a lethal brew that incapacitates the country, and/or moves it backwards. The developing India could have been the stalwart of stability in the past economically shaky years for the global economy, but it instead sank under the burden of endemic corruption, regional politics and indifferent governance under the incumbent ruling Congress Party led coalition, and is today limping along at less than 5% growth rate (*most recent estimates, 4.7%*). We had predicted such a decline back in documentation dated 2009 "...*India's internal growth will continue to be strong and in line with our expectations which were a more modest 5-6%, than the Government's 9-10%...*"

The apologists for India would point to a GDP rate of 4.7% and compare it favourably with the anemic growth rates of the developed economies, but the developed economies are already developed, and light years ahead in providing for their citizens, and therefore do not have to contend with the hundreds of millions of the abjectly poor, numbering well over half a billion (*but then who's counting*). The unfortunate part of all this is that even in the current difficult global economic environment, India, due to its strong internal demand in public consumption, and its vast infrastructure needs, could have grown in the range of 6%, sustainably.

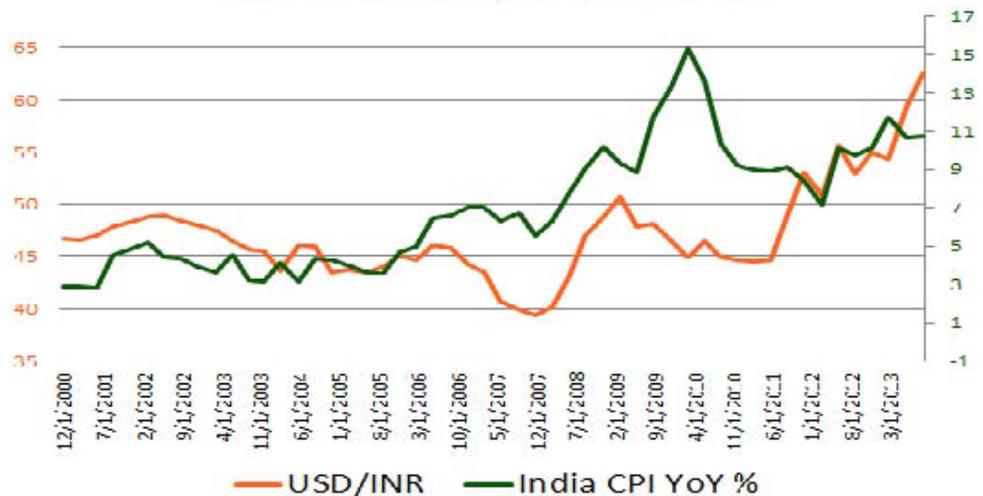
From a near 9.5% growth rate in 2010, India's economy has slowed to approximately 4.7% at the end of 2013. Additionally, 2014 is an election year for the Central Government. Therefore, for most of this year India will be preoccupied with elections and its aftermath (*all the horse trading required to form a ruling coalition, as a majority government does not seem likely*) and most important policy decisions and their implementation, will be essentially on hold, so we do not anticipate any significant improvement in growth rates, in 2014. But, of all the major economies in the World, India has perhaps some of the best fundamentals for solid sustainable growth (5% to 7%) for the next couple of decades, if this impending election brings about a government that actually governs competently and impartially (*a tall order indeed*).



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*Inflation over the past decade has made holding the Rupee an unattractive option for global investors, but the central bank under Raghuram Rajan is finally moving to change that.*



India's incredibly poor internal governance of the last few years, coupled with the ongoing weakness in external demand has crushed India's exports resulting in a problematically high (almost 5%) current account deficit that had in turn crushed the Rupee. Under the new RBI Governor, India is moving towards correcting its most glaring problems, he quickly raised interest rates to fight inflation and stabilize the Rupee, and if India gets a workable government after this election (in April/May 2014) India could become a rare, relatively stable economy, in the coming global financial economic turmoil.

