

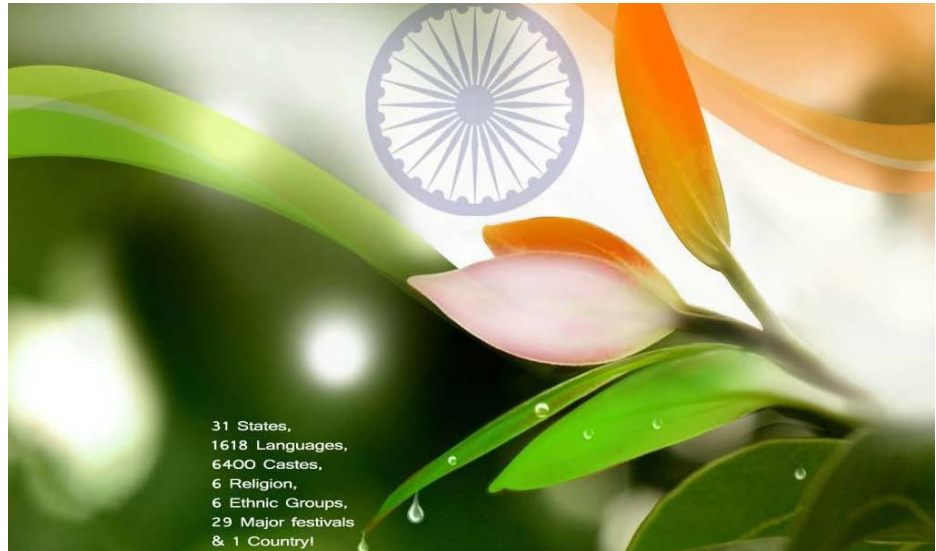
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WRITTEN BY: ASHOK DHILLON



Ashok Dhillon has 40 years of front-line business experience in Canada and International markets.

Mr. Dhillon's experience includes start-ups, venture capital, seed funding, and heading companies in construction and international power development. His extensive experience gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends. He 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".



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In a volatile and darkening economic World, India is a flickering light of positive economic potential, faint and weak yet, but definitely lit and glowing. That fabled India's potential, a decades-old siren song that has dashed more hopes and destroyed more investment in time and money, and held captive more hundreds of millions in abject poverty than can be accurately estimated, once again has flickered to life with the election of Narendra Modi, his majority Government, and their latest growth oriented, investment encouraging 'Budget 2015'. The election of a right-of-centre - development oriented - rebuild India type of government, with a majority mandate, which gives them the ability to carry out their social and economic agenda, is definitely a major step in the right direction. A deflating economic World needs a resurgent India. And India needs the World to help it develop with expertise, technology and long-term investment.

Will this government succeed where the previous ones failed? It's too early to tell. However, we do like their basic and bold policies addressing India's primary and chronic weaknesses such as: a half-hearted opening to the World; the protection of internal harmful vested interests; the selling out to corruption and cronyism; precious resources squandered and stolen by a corrupt, bloated and dysfunctional public sector; the lack of basic, economically rational, stable political policies to encourage infrastructure development; the lack of clarity and commitment in government intention; and accountability at all levels of government. Additionally, we were very encouraged to see the new Prime Minister tackle upfront the here-to-now taboo subject of the lack of basic sanitary facilities and the general filth that is accepted as the norm in Indian society. In our view, he set the right tone in announcing the goal to 'clean India'.

India now has a Prime Minister, and hopefully a government, that not only

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has the nerve to bring taboo subjects, social and economic, to the political and policy forefront, but the indomitable will to see them through against India's age old apathy towards change. Hopefully, once these "genies" are out of the bottle, it will be impossible to put them back in.

India's potential is real, the fundamentals being so obvious, but the path and the means India chooses to realize on that potential has been usually and unnecessarily tortured, and usually sabotaged every step of the way by the very people charged with delivering the change, the political elite and the compliant but self serving and till now self perpetuating bureaucracy. It is hoped that this time it really may be different. Indians have voted overwhelmingly for change in the last year's National election, and more recently in the Delhi State elections. The vote has gone overwhelmingly to anti-corruption and status-quo busting 'outliers', Narendra Modi as Prime Minister of India, and Arvind Kejriwal as Chief Minister of Delhi. Being 'outliers', both of them have promised to break with the status-quo and bring change, even though they are at different ends of the socio-economic spectrum (*Modi being right-of-centre, and Kejriwal being definitely on the left*). In the coming years, India will go in the direction of the one who succeeds the most.

The open and public acknowledgement of the problems that have plagued and held India back for decades gives hope, and Indians have voted overwhelmingly for dramatic change, to get away from those chronic problems, and that in itself is reason to expect change. The people of India have, in the recent elections, exercised their votes to throw out entrenched, nonperforming, self serving governments. The incoming governments and their leaders know the dangers of disappointing an increasingly demanding and judgmental public. Voter turnout for the National election was estimated at 66.8%, (*540 million people*) and for Delhi 67.1%. Such massive turnouts in a naturally chaotic democracy are very admirable.

We have greater faith that the Centre can deliver enough to make a difference at the National level, because Narendra Modi has extensive experience in governing as Chief Minister of a major State, and his political party, the BJP, ruled as India's government for a number of years. The Chief Minister of Delhi, Arvind Kejriwal, and his Aam Adami Party (AAP), on the other hand, are new, untested and inexperienced, and in spite of all good intentions, therefore suspect on deliverability. Nevertheless, any change towards less corruption will be beneficial at the National and State levels.

The last time there was such hope and optimistic anticipation, on the potential of India manifesting itself in reality, was in 1991, when the Congress led Government, tabled its first right-of-centre reform minded budget. The Samajwadi Janta Dal/Congress led Governments, due to a 'Balance of Payment' crisis, in 1991, were forced to pledge India's gold reserves to secure a bailout of \$2.2 Billion from the IMF, which in turn also demanded that the government undertake liberalizing economic reforms to unshackle

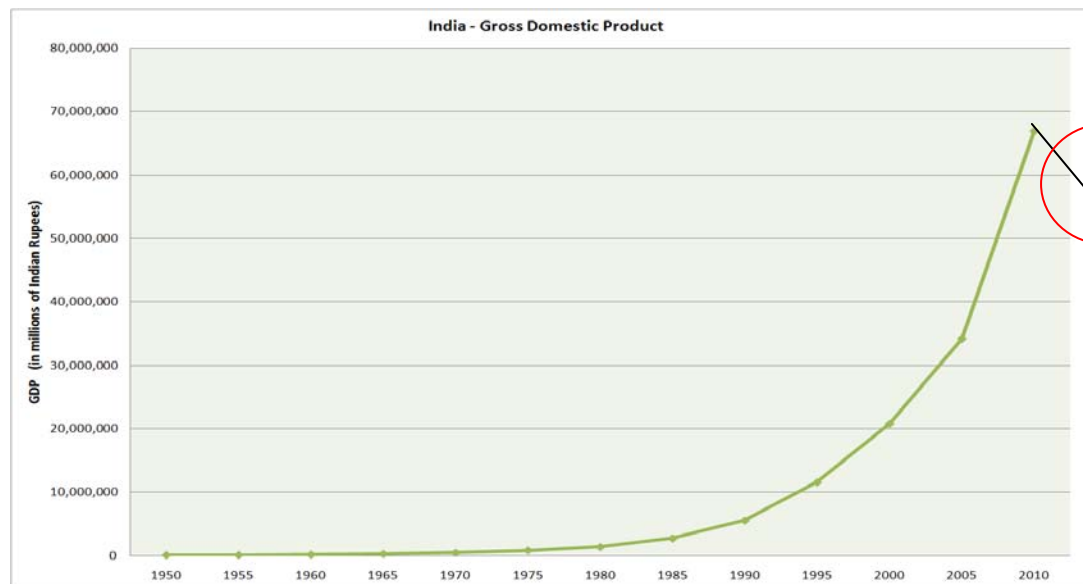
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India's economy from decades of stifling socialist policies.

After Independence in 1947, India had chosen the Russian-styled, centrally-planned, heavy-handed political and bureaucratic socialist system, which had smothered innovation and efficiency in the public, and the protected (*from foreign competition*) India's private sector for decades. As a result India's citizens were held captive to a regressive economic system that condemned them to a prolonged second class status vis-a-vis the rapidly advancing West, and in lock-step with their equally beleaguered compatriots in communist Russia, China and the other socialist economic and political systems. Those decades of underdevelopment present an unprecedented opportunity now for above-average advancement, like China's bold break from its economic past under Deng Chow Ping's - 'to be rich is glorious' - mantra.

Even though induced by a real financial crisis in 1991, that almost had India default on its foreign obligations, and not by any real pre-meditated brilliant insights of the Indian Government, the '1991 Reforms' nevertheless worked, as the opening of the Indian economy produced tangible positive changes. This shift towards a more liberal economy, imperfectly adhered to over the past two decades (*more or less*) by successive governments, was responsible for the rather dramatic lunge forward of India towards modernization, and the break from the traditionally accepted minimal rate of economic growth. The Chart below shows the dramatic upward swing in the economic growth rate from 1991. The Indian economy slowed in the recent years because of the 2008 global recession, and the ever larger and increasingly dysfunctional ruling government coalitions, the resulting policy paralysis, and the stunning increase in the scale of corruption, under the 17 party governing coalition led by the Congress Party.

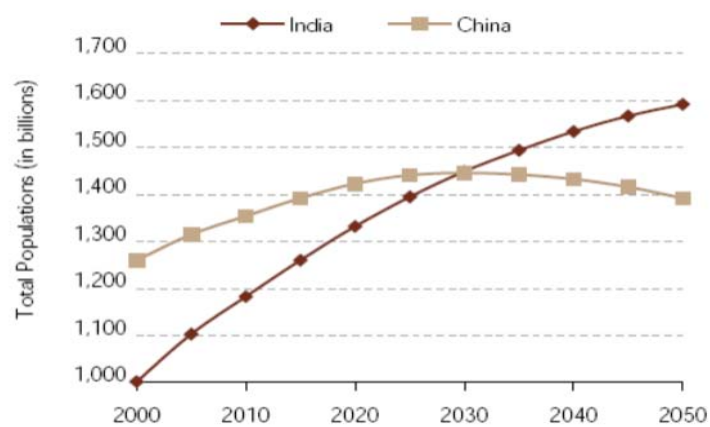


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With the recent change in Government, with an overwhelming majority, in 30 years, and with a more determined attitude towards fixing India's age old problems, India's growth rate has once again jumped. The change in attitude in India, in the people, in government, and in governance, however early stage, bodes well for India. Its right-of-centre economic policies at the National level, position it to grow steadily even as the rest of the major economies struggle or stall in the coming years. The reason for India's potential for above average growth is, on a per capita basis, it is one of the most underdeveloped major economies. India has a population of more than 1.2 Billion (growing by approximately 16 Million per year) crammed into a land mass of about a third the size of China. And yet, India is projected to overtake China by about 2030 and become the most populated country in the World. Such extreme density will exacerbate India's existing problems. However, its internal consumption, which is estimated at about 60% of its economic output, will continue to rise with its otherwise scary population growth, and provide relatively strong consistent demand, when most other major economies start stalling, as now.

India overtakes China in 2030



Source: UN Population Division: Medium variant



That extreme density of people is going to seriously challenge every type of resource in the Country, and the capacity of its people to deal with it. Already, India on a per capita basis ranks as one of the worst in the World in the following metrics: absolute poverty; the availability and use of energy, and clean water per person; general malnutrition; general healthcare; environmental degradation; deforestation and decimation of wildlife; air / water / food contamination; international standards of education, overall

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literacy, meaningful levels of skills and jobs; gender inequality; and, of course corruption.

India has been reluctant to tackle the issue of population control on a Central Government level after the disastrous episode during the infamous 'Emergency Rule', under the former Prime Minister Indira Gandhi. Nevertheless, it is an issue India will have to tackle before long, otherwise its so called demographic dividend is going to turn into an under-educated, under-employed, un-skilled, poverty-stricken, over-populated disaster. It is almost there now. Yet, as is proven in the rest of the World, with the rise in the standard of living and education, populations tend to automatically decline rapidly.

The above was the bad news. The good news...

For India to turn its formidable challenges into immense opportunities, above all, it needs good governance. An across the board altruistic, strong and fearless leadership that is not there solely for personal power and enrichment, at the cost of the general public, as has been the case so far, instead, is willing to take on the entrenched self-centered interest groups, in the public and the private sector, for the benefit of the Country and its population.

Secondly, India needs its public to also reflect on self-governance and personal change, because no country can have the level of endemic corruption in daily life as India has, without the active and voluntary participation of the general population (*no country can*). In all countries where corruption is rampant, the public has blinders on when it comes to their own active, voluntary, daily role in the acceptance and fostering of corruption. The people of India are a living example of this, complaining daily about institutional corruption, while not changing their active and supportive role in the corrupt system that they helped build, and maintained for decades, and even now.

On both fronts, better governance and a changing public, there has been positive developments.

At the Central Government level, in Narendra Modi, the new Prime Minister, India now has an individual who certainly has the personal strength and ambition to push India's governance towards the more altruistic stance that has long been required, so that he can bring about the measurable change that he promised during his election campaign, and for which the Indian people elected him in overwhelming numbers. Narendra Modi is keenly aware of the public's expectations, and he will certainly try to meet them in a substantial way before the next election, in less than 5 years now. In his election campaign he raised the public's expectations very high through his promise of change, and by showcasing his track record in the State of Gujarat where he was Chief Minister for three terms. There, he had become known for his organizing and governing abilities, his ambitious vision for

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development of the State of Gujarat, and had achieved enough results to have swept the Country by promising similar transformation for the rest of India.

In sharp contrast to his predecessor, Dr. Manmohan Singh (*who was considered competent, sometime brilliant, but consensus-seeking and generally too weak to control those in his government and political party who hijacked, and then sabotaged his reformist agenda*), Modi is considered strong-willed, controlling, micro-managing and the lead-from-the-front type. The closest thing to a 'benevolent dictator' that the educated upper middle class Indians have wished for (*for decades - over evening scotches*) as the real need of India, for it to be governed effectively. And now through the democratic process, they have such a 'dictatorial' strong leader. India, at this stage of its development, and after the chaotic decade and more of multi-party, dysfunctional and increasingly corrupt governments, needed a strong anti-corruption and pro-reform development leader, with a strong mandate from the people to govern. And that is exactly what the people of India gave Narendra Modi; a strong mandate to quell corruption, reform the bureaucracy, formulate and implement pro-development policies, and govern.

There was a lot of trepidation in secular India, post election, about Narendra Modi's past involvement and roots in the Hindu National Organizations such as the Rashtriya Swayamsevak Sangh (RSS), his role as a Chief Minister in the Gujarat riots (*he was acquitted by the Courts*) where Muslims were targeted and killed by rampaging Hindus, and his perceived Hindu Nationalism and its threat to other religious minorities. And post election those fears seemed to be validated with some of these organizations holding 'reconversion' events called "ghar vapsi" (*"home-coming"*), from Christianity and Islam back into Hinduism. In February 2015, when addressing a meeting of concerned Christians in Delhi, the Prime Minister finally spoke against such activities saying, "*We cannot accept violence against any religion on any pretext, and I strongly condemn such violence. My Government will act strongly in this regard*". Also, in addressing the Indian Parliament, PM Modi is reported as saying "*Nobody has the right to discriminate on the basis of Religion...*" and "*No one has the right to take law into his hands*".

In our view, after decades of building on his RSS support, PM Modi is constrained in the manner he can contain the destructive side of that organization, but to rebuild India he cannot afford serious internal discord, and risk external isolation and condemnation, because that would push India backwards.

We believe the Government of India will not allow the attempted mass reconversion of Christians and Muslims because of the chaos it would cause within India, and the significant negative repercussions and backlash from "Christian and Muslim" countries abroad. The United States, Canada, England, Australia and Europe (*Christian countries*) are the favoured

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destinations of Indians for immigration, business and tourism. India's hugely successful and important Information Technology ("IT") sector benefits almost extensively from business emanating primarily from these countries. Plus they are the favoured economies to do business with and get investment capital from, and the Prime Minister has been wooing them actively since his election. His development and reform agenda, and his desire to rebuild India, will derail significantly if he is not able to control the collective Hindu Nationalist Organizations effectively.

Plus, there are millions of Hindus living and prospering in the so called Christian countries, for decades, where they live, prosper, practice their religion, and build their temples, with no harassment.

The oil rich Middle Eastern Islamic Countries are the primary suppliers of India's imported energy needs - oil, natural gas etc. And thousands of Indians work and live and prosper in the Middle East. We cannot see serious persecution of Indian Muslims being ignored by the energy and wealth providing Islamic countries. In today's interconnected Global economy even India cannot act outside of international considerations, without suffering serious economic and political repercussions. We believe the Prime Minister is acutely aware of such key reciprocating relationships, and will act to suppress the more extreme elements in the 'Sangh Parivar' - the sum total of all the Hindu Nationalist Organizations. Regardless of his personal beliefs or ideologies, Narendra Modi has to act as the 'International Statesman' that being the Prime Minister of India requires. His trips abroad and his early actions to promote India internationally indicate his view of himself as a worthy International Statesman. Therefore he will act to contain the overly zealous in the Hindu Nationalist Organizations, for he needs to keep India secular and stable for him to deliver on his promise of positive, inclusive change for all, and to achieve his dream to see India ascend to real power in the international community.



Narendra Modi is too astute a politician to try and change India overnight, in

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spite of the grand promises he made during election. And, in spite of the criticisms leveled at him for moving too slow since he has come to power (*10 months*), he will bring about change in a carefully calculated and methodical way, side stepping for the time being the real dangerous political land mines.



As the latest Budget 2015 shows, tabled recently by the Finance Minister Arun Jaitley (*shown above*), PM Modi will build on attainable successes rather than upsetting the whole applecart by taking on the tough fights too early, which his government may not win at this time, like labour reform. The changes proposed in the Budget were a perfect example of that carefully calculated advance towards the long end-game. This is why we are optimistic about India's impending change. We would not have been as hopeful if we had seen him take on too much too soon. India's required changes are too formidable for any government to rush them. Constructive changes will only come to India with well thought out investment and people centric policies, applied consistently, over time.

The Government has initiated the direction of the change and it is manifest in the Budget. Ease of investment and economic development, simplification of the tax regime, particularly the long pending GST (*goods and sales tax*). These are the fundamental thrusts of the budget - and incredibly - a social security net for the poor.

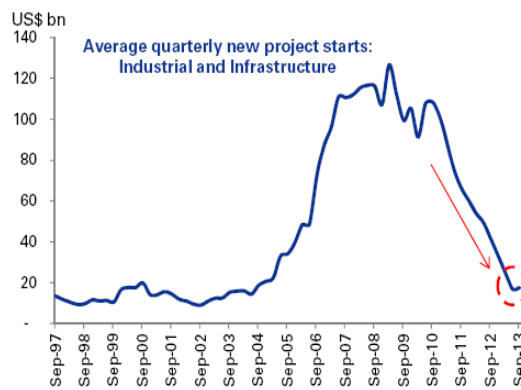
Particular emphasis is going to be placed on investment in infrastructure and manufacturing, with the Government promising to ease if not entirely remove previous obstructionist road blocks in bureaucracy, permitting, and land acquisition. The development of electrical energy, both from fossil fuels and renewables, are of particular high priority, with solar power being singled out for special emphasis. The numbers touted as targets are ambitious, almost bordering on the incredulous. That is a long standing Indian government tradition with almost every government that has come to power in the past, and this Government has not deviated from that political tradition. Still, if the numbers are overwhelming, so are India's socio-economic challenges.

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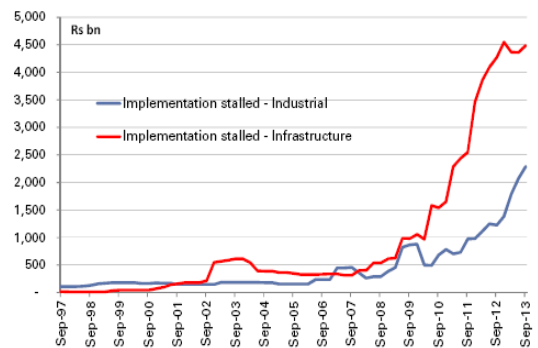
The Charts below show the infrastructure projects hitting the wall after the crash of 2008, and falling off the cliff after that. The total amount, in U.S. dollar terms, of all the industrial and infrastructure projects in India that stalled out in the past 6 years, is estimated to be in excess of US\$250 Billion. This number shows the ground that India needs to re-cover to have moved forward at all.

Exhibit 6: The decline in new project starts seem to have halted in 2QFY14, although it remains at a low level



Source: CMIE Capex, Goldman Sachs Global Investment Research

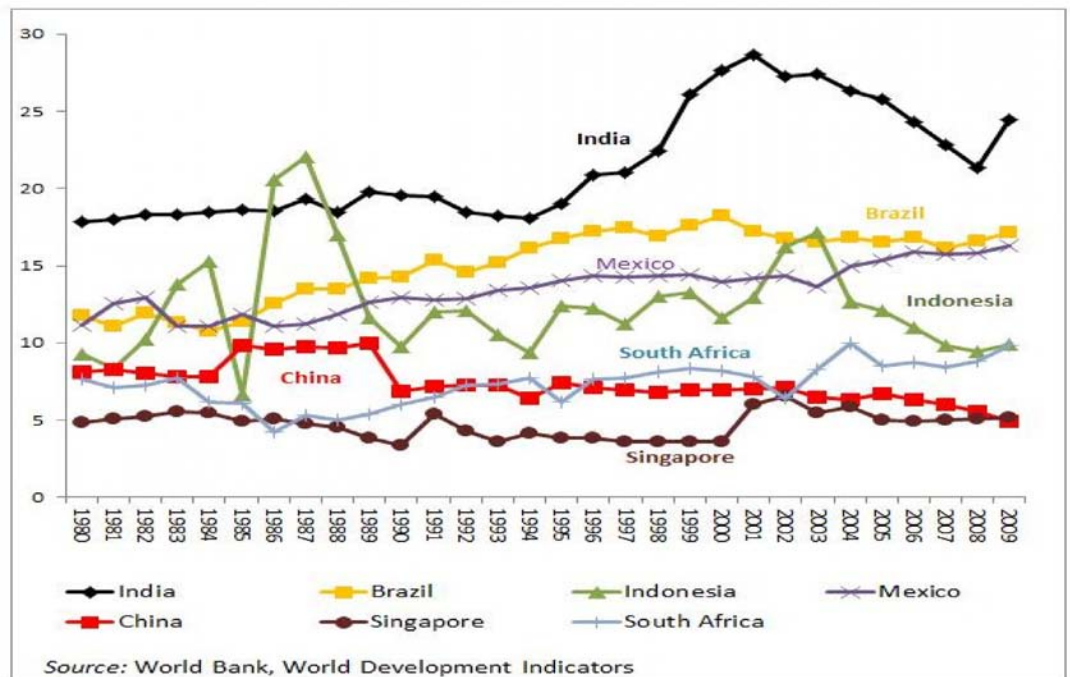
Exhibit 7: Early signs that the number of stalled projects is moderating



Source: CMIE Capex, Goldman Sachs Global Investment Research

Figure 1 Power sector inefficiency: International comparison, 1980–2009

(transmission and distribution losses as percent of power output)



Source: World Bank, World Development Indicators

Even though the Government of India had actively invited foreign investment after 'opening' the economy in 1991, and perhaps because of the reforms being forced upon them by the IMF and other foreign bankers after its near default, the attitude of India towards foreign investors remained somewhat

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hostile. Incentives and guarantees offered to compensate for 'India risks' were systematically pulled back or revoked after being issued, and when those risks manifested themselves, compensation and fair treatment was practically non-existent. This and other internal problems of India resulted in a mass exodus of large foreign investors, particularly in infrastructure, by the late 1990s.

In the meantime, a decade earlier, China had laid out clearer and more welcoming rules of engagement in the sectors it wanted to develop, had held to them, and executed most effectively. This resulted in an unprecedented amount of foreign investment flooding in, for decades, which assisted China in building its economic miracle, and its historic and stunning leap from poverty to genuine 'Super Power' status.

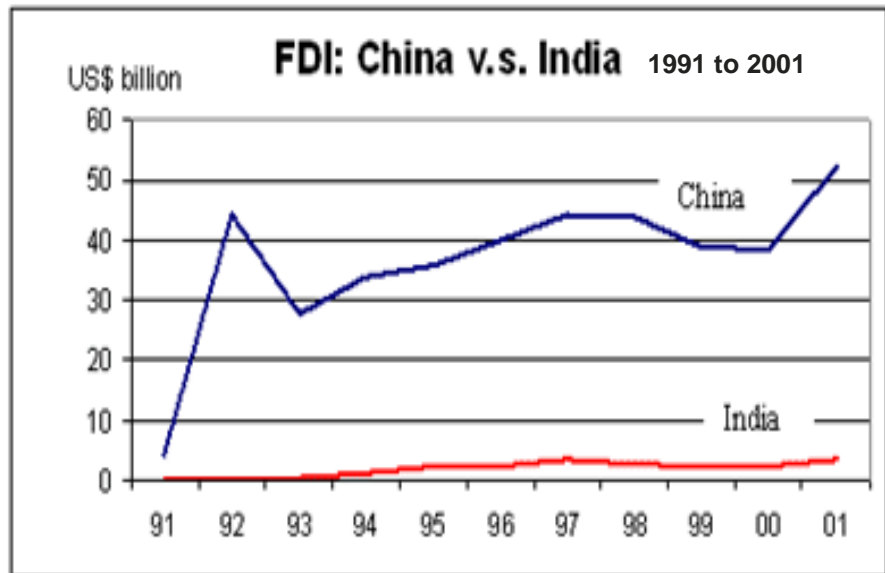
In the following Charts one can see the dramatic jump in China's FDI (*Foreign Direct Investment*) in 1991, and India's negligible inflows. That trend continued to widen over twenty years, as shown in the 2nd Chart. The miserly attitude of India (*encouraged by entrenched public and private sector interests*) cost India *Hundreds of Billions of Dollars in investment capital* that would have driven perhaps *a Trillion Dollars* in GDP expansion over the past two decades, making it a much larger and richer economy today. However, the Indian idea of a good deal was a "win / lose" - for the foreign investor, rather than a "win / win". As a result India lost to China badly. On almost every measurable metric China is far ahead of India. And even though, on the face of it, India had so many entrenched advantages - western-style governing systems, the wide spread use of the English language (*hundreds of years of head start*), closer western relationships and a more advanced industrial base - India squandered its strengths and developed its weaknesses to a point that it took a potential default crisis to jolt it on to the path of development. While a democracy, India's Civil Service generally worked against the people it was supposed to be serving, and became the new oppressors that the Indian people had suffered so much to free themselves from. India sank under its own oppressive governing and exploitive system, while China broke from the past and whole heartedly embraced the future, dumped the Marxist economic model and became capitalist. India is now going to attempt the same, under the new Modi Government.

The current Government wants to correct the previous mistakes. Narendra Modi, shortly after being elected, in his trips to the United States, Australia and several other countries, spoke not only to the major industry in all these countries and invited them to come and invest in India, but made serious effort to connect with the Indian Diaspora settled in these and other countries. He appealed directly to them to reinvest in India. In his speeches

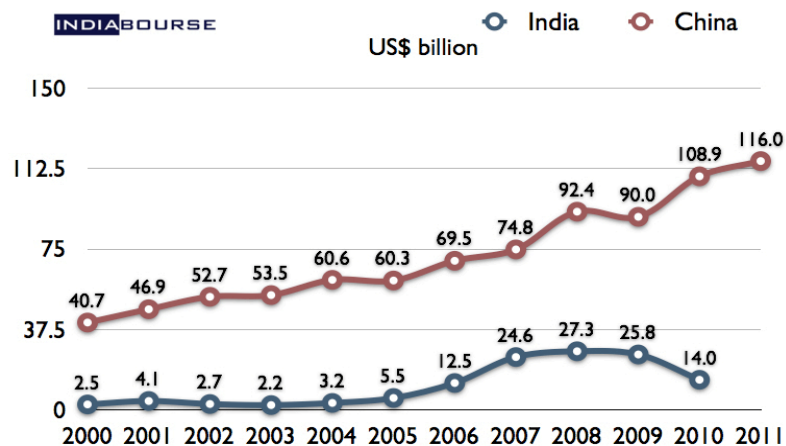
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he was forthright in acknowledging the pain previous government attitudes and policies had inflicted on all foreign investors (*Indian or others*), and promised a changed attitude and a more welcoming business environment. He promised rational policies that were good for India and the foreign investor (a win/win). His speeches got their attention, his actions will get FDI.



Foreign Direct Investment - India Vs. China 2000 to 2011



Source: Ministry of Commerce, India and National Bureau of Statistics, China

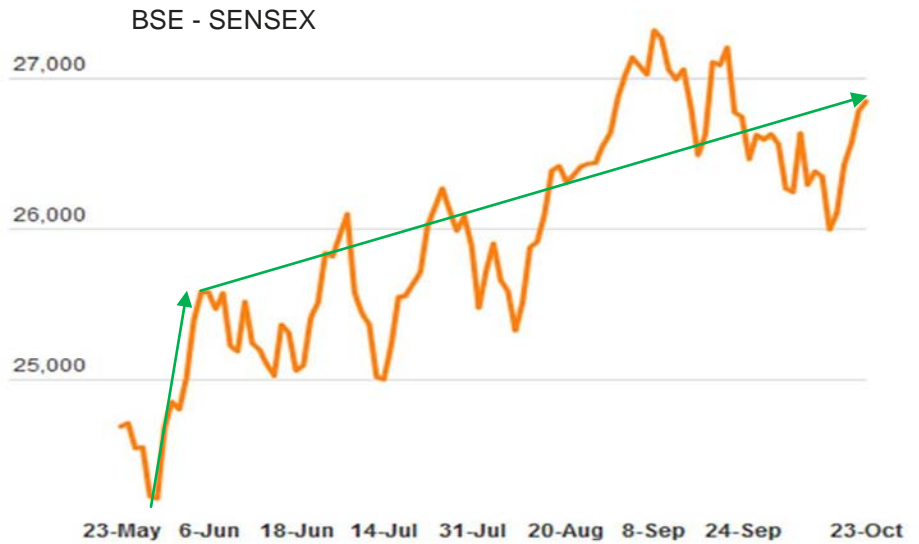
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Once outside investors develop trust in the new regime and in the Country itself, and in policies that are economically rational, stable, and not subject to the whims of changing political parties and ideologies of the day, it could open a flood gate of foreign direct investment (*FDI*) into the key sectors that India most needs to develop. FDI has already started to pickup since the election, even though it still lags China.

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The Indian stock market has been downright euphoric in anticipation of - and since PM Modi's election.

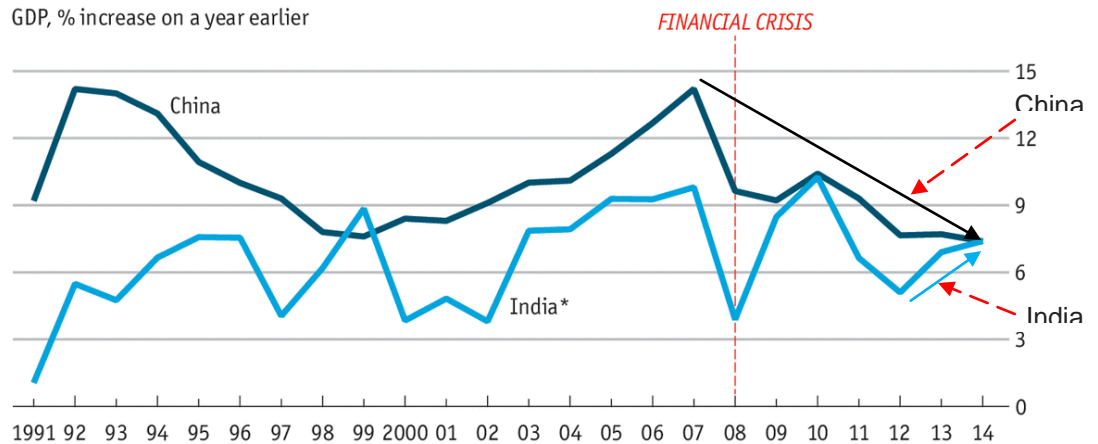


Unlike the U.S., Japan and the Euro Zone stock markets, India's markets were not driven by extraordinary stimulus and ultra low interest rates, as rates were above 8%, and are still above 7%, but more so by India's economic outlook, with the election of a majority government that could push through its reform and development agenda, under the leadership of a strong willed and politically astute Prime Minister.

And the GDP growth rate is recovering as India's economy accelerates from years of unwieldy coalition governments, reform roll backs, policy paralysis and rampant corruption. (Chart Source: Euromonitor International)

Worth trumpeting about

GDP, % increase on a year earlier



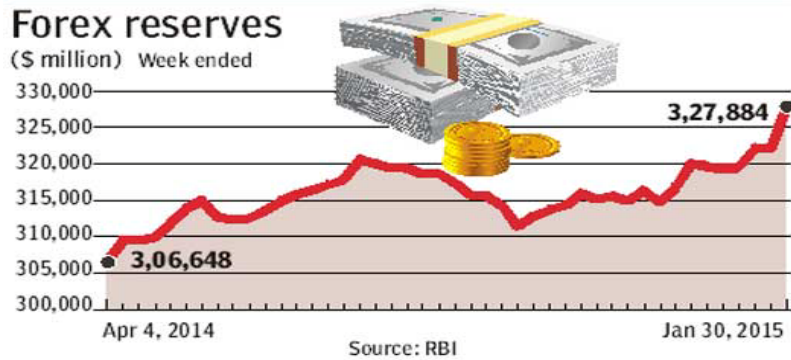
Sources: IMF; national sources

*Fiscal years ending March, 2011-12 base year from 2012 onwards

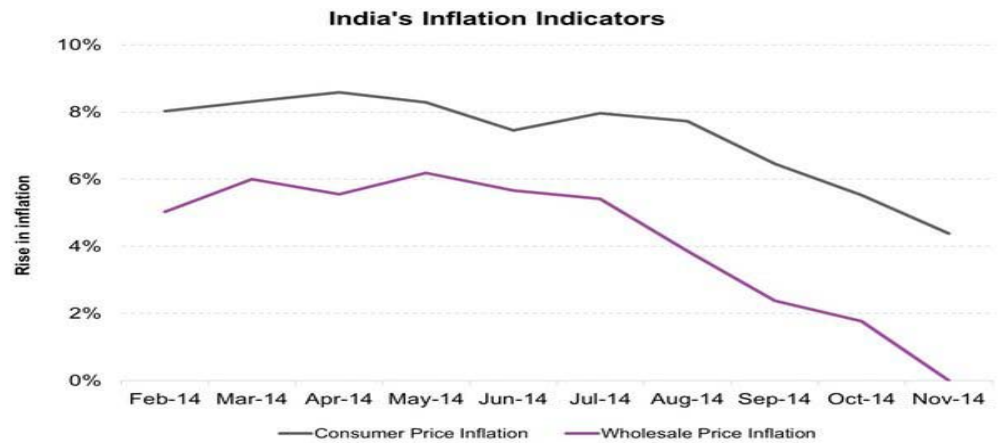
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Foreign Exchange Reserves have grown to a healthier level.



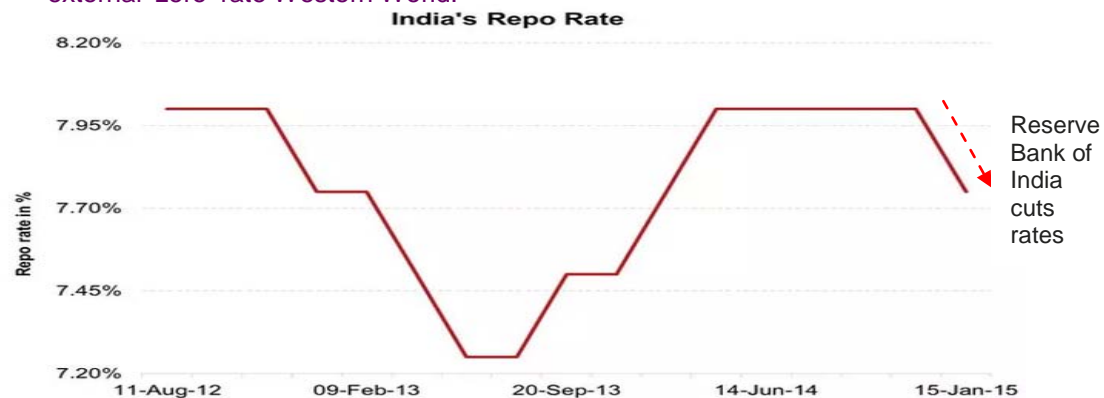
India's troublesome inflation rate has declined steadily in the past months as the Governor of the Reserve Bank of India, Raghuram Rajan, raised interest rates sharply to combat inflation rate running above 8% (*Chart below*). That decisive action, coupled with the more recent sharp drop in oil prices has helped push the inflation rates down, allowing the Reserve Bank to cut rates early (*surprising markets*) to help stimulate additional economic growth.



Market Realist

Source: Central Statistics Office

Repo Rate: The interest rate that the Reserve Bank charges Indian Banks, that then set the lending rates to the public. Indian businesses have desperately needed lower interest rates to compete more effectively with an external 'zero' rate Western World.



Market Realist

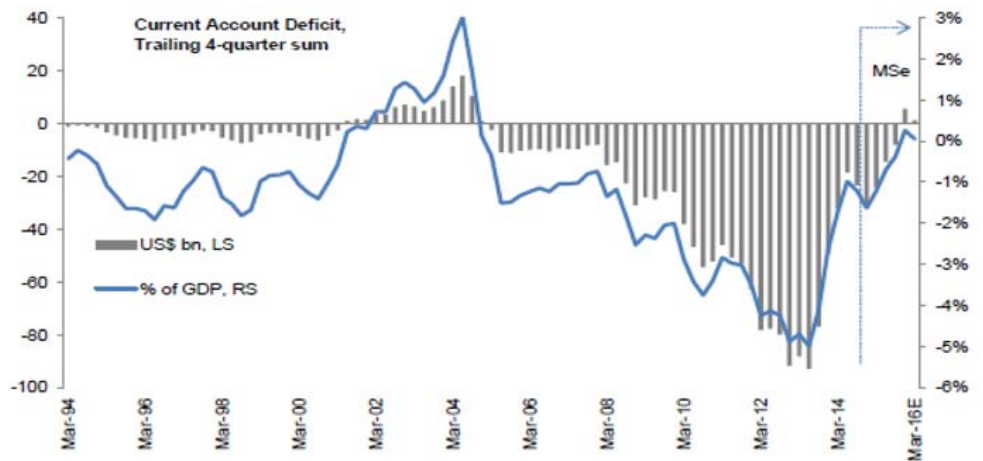
Source: The Reserve Bank of India

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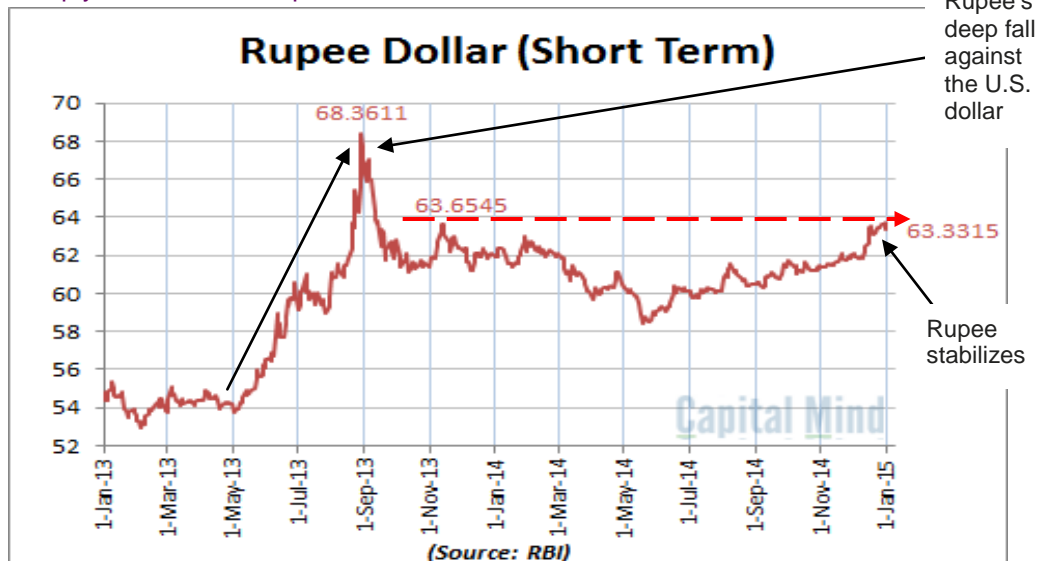
India's Current Account deficit was most troubling as it almost reached 5% of GDP in 2012-2013. In 2014, with the Government and the Reserve Bank determined to bring the percentage down, and with the fortuitous sharp drop in oil and commodities prices, the 'Current Account Deficit' has dropped sharply, giving the Indian Government much relief and the Reserve Bank much greater room to maneuver in its bid to boost economic growth. The commodities price drop was fortuitous for the Modi Government.

Current Account to Swing into Surplus for the First Time in 10 Years



Source: CEIC, Morgan Stanley Research E-Morgan Stanley Research Estimate

As the Current Account deficit had deepened in 2013, becoming one of the worst of all the major economies, the Indian currency, the Rupee, went into a free fall in May of 2013 (see chart below), forcing the Government to sharply curtail imports, and the Reserve Bank to aggressively intervene in the international foreign exchange markets by buying the Rupee and raising interest rates. Since then, as the political, economic and commodities fundamentals improved in India's favour, and the current account deficit steeply reduced, the Rupee has stabilized.



Rupee's deep fall against the U.S. dollar

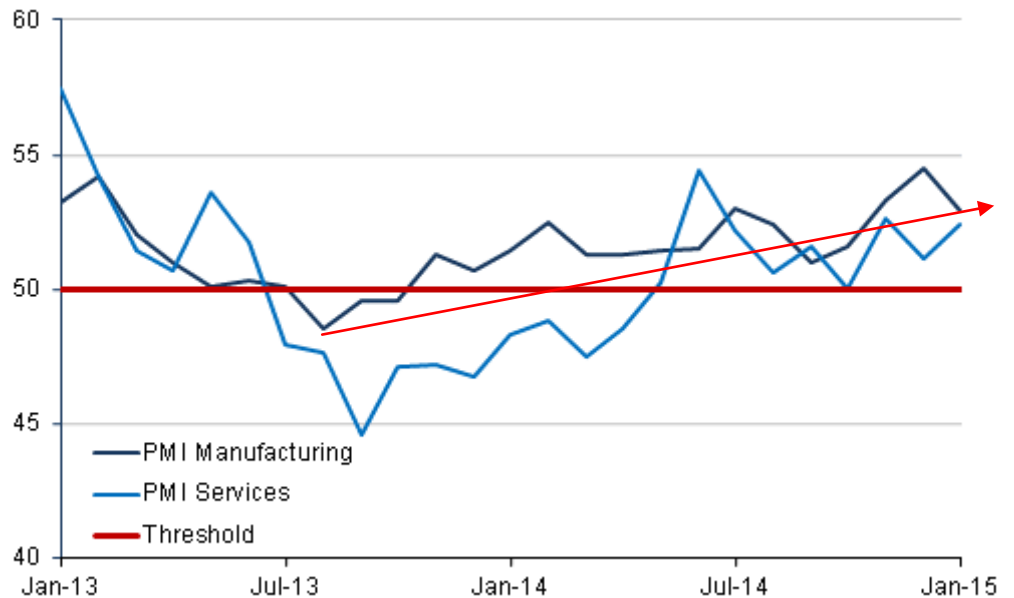
Rupee stabilizes

(Source: RBI)

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India's Purchasers Manufacturing Index (*PMI*) a leading indicator of economic activity has slowly started to rise since the second half of 2014 (see *Chart below*) and is expected to improve further as the Prime Minister boosts manufacturing in India, under his cornerstone development policy of "Make in India".



In our view, the newly elected Government of India under Prime Minister Narendra Modi, is coming to power with something more to prove beyond the usual, 'we can do a better job' political platform of most incoming governments. This Government is made up of people with a palpable sense of wounded pride in India's inability to achieve its rightful place among the top nations of the World. That dissatisfaction is stemming from India's current status as a significant albeit largely dysfunctional Nation. Additionally, in this Government there is a deep awareness of India's past historical greatness, it having been the wealthiest Country, and a leading global scientific, philosophical and spiritual giant that had deeply influenced its neighbours and the World beyond, in the past.

This Government is hungry to restore the former glory of India, and that is the catalyst that has been missing from all the previous governments. This driver is going to be the guiding light of the Prime Minister, to whom this is more of a personal mission than just a political governing exercise. And while the job of transforming India is almost 'Mission Impossible', we feel this Government is going to take a real serious stab at it. And in that is the possibility of India's limitless potential for itself and the World. India's transformation to a generally functioning modern Country, as the 3rd largest global economy (*in real terms and not by PPP*) will transform the World as we know it.

A modern India will become a true giant in economic and political terms, changing all the equations and parameters as they are now. A developed India will change the balance of power dynamics in Asia, becoming a true

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counter balance to the rise of China's economic and military power, and will draw in even more of the West's economic power to the East. This shift could take place in the two terms (10 years) of this Government being in power. The caveat being that the Government does not get overwhelmed by the morass of India's entrenched bureaucracy, and powerful internal vested interests, and its more extreme elements in the Hindu National Cadres that form a big part of the BJP political Party. And then there are always of course, external forces, namely Pakistan and China that would view a much stronger and effective India as counter-productive to their own interests. These challenges, internal and external will test the Government, however in our view, the leadership is dedicated and experienced enough to manage most of them and still be able to move India forward in a meaningful way in coming years.

Thus, with lots of challenges facing it, at this time, India presents extraordinary and extensive opportunities in the development and modernization sphere, of all basic infrastructure and support systems required for a functioning society. To build India its basic infrastructure that is desperately required now, the Government estimates expenditure requirements of a \$1.0 Trillion in the next few years, and most of that must come from outside of India, where there is almost limitless money looking for a decent yield, with quantifiable risks, and where the cost of money is so much cheaper.

In its drive to make India a manufacturing and modern economic giant, the Government envisions 50% of its vast rural population (currently 70% / 840 Million) to eventually move to cities. If this were to happen in the coming years, it would mean a shift of over 300 Million people to urban centers. The scale of development in cities and related infrastructure that would be required to accommodate such a move in the coming years boggles the mind. It would parallel China's building boom of the past two decades, which has been called unparalleled in history. It would seem, in that context, history may repeat itself.

By 2022, India plans to house all its people. The undertaking of a true 'Mission Impossible'.



Global Economy 2015 - India Report

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The Government of India, in its latest Budget 2015, has announced plans to spend \$137 Billion over five years to modernize its railways, one of the most extensive in the World. According to the Indian Railways, it transports over 8 Billion passengers annually, or over 23 Million a day. The modernization of the Indian Railway is a priority of this Government in its bid to allow people to move freely and efficiently.



To modernize India, the Government has made the expansion of the internal transportation system, railways, roads, highways, bridges and overpasses, as priority targets for development, in its first term.



Additionally, very ambitious targets have been set for the generation and distribution of electricity. The emphasis is on large coal fired plants to provide base load power, to be counter balanced by one of the World's most ambitious mass solar energy development plans undertaken by a country. India is a huge net importer of energy, and its oil import bill is almost a 1/3 of its total cost of imports. The Government wants to reduce its dependence on,

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and its cost of imported energy, by extensively developing renewable energy: wind, small hydro, bio-mass, and particularly solar energy.



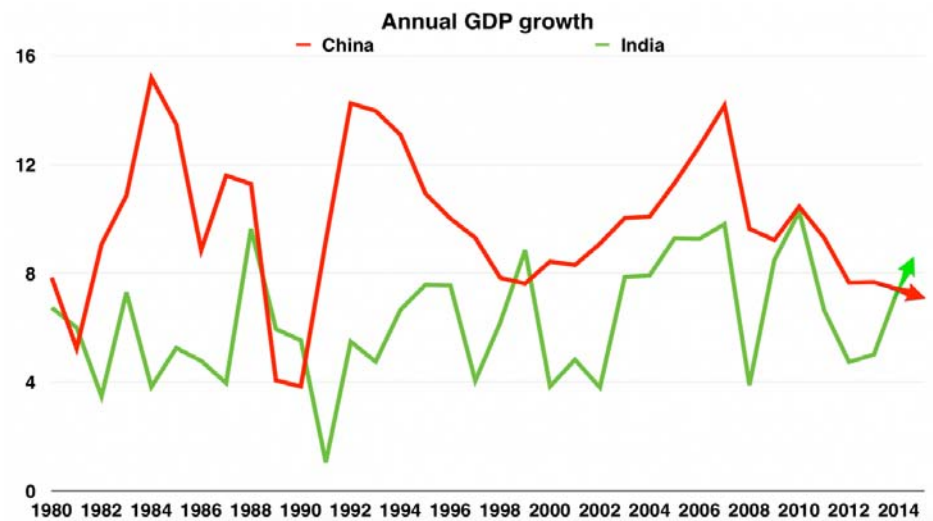
Apart from the development of critically needed infrastructure, the Government is also focusing on social development, recognizing the extent to which vast numbers of Indians have fallen behind the rest of the World, in terms of basic living standards, education, proper skills training, healthcare, sanitation and opportunities for advancement. Therefore the Government is determined to modernize India through the improvement in overall literacy rates, in upgrading the quality of basic and secondary education, by formalizing skills training, by creating better jobs through industrialization, modernization and wider use of technology in government processes and interconnection of the disparate regions of the country. The Government has targeted 100 “smart cities” through the extensive use of information and green technologies, and plans to make these as a model for the new cities to be constructed, as India moves from a largely agrarian society to an industrial-urban one.

In its bid to industrialize and modernize India, the new Government hopes that there will be a substantial reduction in abject poverty of the approximately 400 Million people that still live as “India’s poor”. There can be no restoration of pride and even a partial return to India’s former glory and might, if such a large percentage of its citizens number as the World’s poorest. To start the effort, the Prime Minister mandated that bank accounts be opened in the names of the poor (*hereto impossible*) wherein any assistance by the government can be deposited directly into the accounts of the people, rather than be routed through the corrupt and inefficient system of distribution employed thus far, where the benefits never reached those that needed them. In the last Budget, the Government has additionally announced the formation of a social security safety net for the poor. The uplifting of the masses out of mass poverty will increase India’s internal consumption base dramatically, thus growing its economy into the 3rd largest globally.

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In pursuing such an ambitious socio-economic agenda, the Prime Minister is meaning to transform India. In that bid, he is wooing skills, technology and investment from the rest of the World. A lot of the raw material, initial skills and investment must come from abroad, and therein are the extraordinary opportunities for an over-developed, over-supplied, economically-contracting, growth and yield-seeking West. India could be 'the next China' to the World, as China peaks.



Source: World Bank

As stated in our recent Global Economic Report 2015, the global financial system is overloaded with debt that poses a growing threat to the global economies. Another major correction or collapse of the financial system (we think inevitable) will devastate the global economies and usher in perhaps years of subpar growth. India will be hit hard in such a scenario, but it's less than optimally-globally-integrated-economy, coupled with its large internal consumption and growing internal requirements, will protect it, and help it recover faster. Systemic corruption, capital formation and consistency are India's true challenges. The newly elected Government plans to tackle all three.

India stands on the cusp of being able to manifest its potential and become 'Great' once again. It seems to have the right leader for that mission. Now, if Indians can only stay out of their own way, dump the old baggage of internal dysfunction, discord and corruption, and embrace the future unfettered from the negatives of their past, India can surely advance to its proper place in the World.