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WRITTEN BY: ASHOK DHILLON



Ashok Dhillon has 40 years of front-line business experience in Canada and International markets. He incorporated his first construction company in 1974, and since then has founded and led companies in construction and international power development.

Over the last 20 years Mr. Dhillon, has led and worked with top Canadian talent in the legal, engineering and accounting firms, such as Fasken Martineau, Russell & DuMullen, Stikeman Elliott; Hatch, Monoco Agra, New Brunswick Power, SNC Lavalin; and Ernst & Young, Arthur Anderson, and Grant Thornton. And in London, worked with Perkins Couie and Morgan Grenfell. Mr. Dhillon's companies have partnered and worked with Pan Canadian Oil & Gas, WestCoast Energy, TransCanada Pipelines, and international companies such as AES, Enron Power, Hyundai Heavy Industries.

Mr. Dhillon has worked and negotiated with highest levels of Governments in Canada and India. He has pursued and won mandates to develop power plants in Canada, and foreign jurisdictions such as Hungary, Iran, Pakistan and India with uncompromising ethical standards. His extensive experience in securing and negotiating multi-hundred million and billion dollar mandates in power project development, gives him in-depth knowledge and intuitive insights into macro and micro, national and international, geo-political and economic realities and trends.

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".

Taking Stock – Mid-Year 2013

It's just past the halfway point in 2013 and we thought it would be interesting and useful to take stock of where the global economies have been, and currently are, and in particular how accurate our prognostications have been so far. After all, you the reader follow us to get informed about emerging trends of the current geo-political economic events, and therefore our degree of accuracy defines our relevance for you.



Through the analysis of a vast and complex body of daily, and at times conflicting, national and global news, analysis, commentary, research and institutional reports, we try to bring into focus what is actually occurring behind the noise, confusion and at times willful misdirection. And in doing so, identify clearly the direction in which the geo-political economic trends are heading, so that you may get informed and get prepared.

In the past 10 months, in our geo-political economic reports, we bucked the general consensus that ongoing and massive stimulus was going to foster global economic recovery. In fact we gave specific reasons why sustainable global economic recovery could not take place in spite of unprecedented stimulus. So here goes...

Last year, by September (2012) the Federal Reserve in the U.S. had announced - Q3, the third round of quantitative easing, as the first two - Q1 & Q2 - hadn't quite worked to bring about any real economic recovery. The rest of the major Central Banks had followed suit with continuing

stimulus. The amount of stimulus announced was massive and unprecedented and fostered the general consensus that surely recovery was inevitable. We differed emphatically from that general consensus, describing in some detail our reasoning as to why global recovery was not possible in our Report called 'Global Economic Recovery – Not Yet'.

In that Report we had said, *"At this point the additional stimulus is required to just try and prevent 'hard landings' in a number of economies, but it certainly will not result in a sustained and healthy recovery"*.

Additionally, we went on to say, *"When China slows the World slows...and China is slowing. India and the other emerging economies have also slowed dramatically creating further drag on the global economic recovery. With the Western economies battling the slide back to the cliff edge, a sustainable recovery seems practically impossible"* (September 20, 2012).



We followed that Report up with a second one later in the month, that highlighted the additional political risk in the nationalistic flame that China seemed to be fanning, with its territorial claims in South China Seas with its neighbours, Japan, Taiwan, Vietnam, Malaysia etc. which would lead to the additional slowing down of trade and investment among those countries. We identified

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and pointed out other developing problems – *“Lack of consumer capacity in the developed World is resulting in the lack of orders/exports in the emerging economies, further slowing developing economies, resulting in peaking commodities markets which will further slow resource rich economies such as Canada, Australia, Brazil and Russia”* (September 27, 2012).

How right we were as the subsequent months and economic conditions proved, and how wrong the general expectations were.

Through the next few months we wrote on a number of developing geo-political economic events, and going back over them, we can confirm that we were particularly prescient.

On March 5, 2013 we wrote a Report titled – ‘Coming Full Circle – To Crash II?’ In that Report we likened the general ongoing global government borrowing to the ‘subprime credit’ bubble that brought the global financial system to its knees. In this Report we stated – *“The Trillion dollar question (the amount of stimulus already spent) then really is: how sustainable is this severely leaking artificially induced recovery balloon? - To us it seems eerily like the 2007-8, only now the ‘sub-prime’ borrowers are governments!”*. Well, the recovery did not take hold, making the Federal Reserve Chairman reiterate over and over again that the money taps would remain open **indefinitely**, to hold up jittery asset markets that were flying ever higher, just as the pre-crash ‘sub-prime credit’ easy money fueled housing markets. And, today, after five years of constant stimulus, more and more analysts and economists are starting to ask the same question that we asked back then, and ask now - Just how sustainable is this weak artificially induced zombie recovery, which threatens to collapse the minute anyone just **talks** of removing the stimulus?

We also pointed out that up to that point the global economies had been contracting, year on year, since their highs in 2010 of 5.3%, to an estimated 3.5% in 2012, and 3.0% in 2013 (*IMF Economic Growth Rates*), in spite of the massive ongoing stimulus. Now the World Bank projects the global economic growth rate in 2013 to be 2.2%.



The fact that over the past five years Trillions have been spent and the World Bank confirms that the global growth is still slowing validates us.

For the update on the emerging markets we predicted that China, India and the other major emerging economies would keep contracting, putting additional pressure on the commodities markets and economies. And that is exactly what has happened. Major resource based economies like Canada, Australia, Brazil and Russia have slowed and will continue to slow. Their currencies and commodities have devalued, and stock markets and GDP growth are reflecting the contraction. Recently, the Chinese Premier indicated further slowing of the growth rate of China to 7% from the current 7.5% was probable, from early in the year estimates of 8%, and India’s estimates have gone from 6.5% to 5.5%. Both economies could easily head lower.



We wrote, in our Report called ‘Government of Top Three Economies Distracted’ (October 2012) that we expected overt and covert currency wars. The currencies of Japan, India, Brazil, and others have declined dramatically since we wrote this Report, putting tremendous pressure on all other countries wanting to boost their exports. These concurrent currency devaluations are what we had termed *“a downward spiral of competing trade currencies”*. The automatic result of devaluing currencies is the possibility of inflation

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as prices of imports and essential commodities such as food and energy rise, putting further pressure on hard pressed economies, their populations and governments. The steady erosion of value of the American dollar, due to the printing of trillion dollars a year stimulus by the Federal Reserve, is making the price of oil rise to new heights, \$105/bbl at the time of writing this report, which, as someone described it, “is sand in the gear box of the global economy”.



In our Report called ‘Can Warren Buffett Be Wrong About This??’ (March 2013), we took issue with Warren Buffet’s comments that 535 people in the U.S. Congress are not going to mess up 315 million (U.S. population) - over time. The bitter, entrenched and continuing partisanship in the U.S. between the Democrats and the Republicans is doing heavy damage to the Country, often to the point of total irrationality. It is as we had anticipated it, and yesterday President Obama expressed his deep frustration with it, as the Republicans continue to block him.

All of the above is flotsam, and is a huge drag on the efforts to restructure and revive America’s, Europe’s and emerging markets flagging fortunes, which in turn will continue to effect global growth prospects. We saw it clearly and articulated it plainly in our Economic Reports for your awareness and preparedness.



Of all the geo-political events that we covered in the past months, there was one correct prediction

that had a positive twist to it and it was in our report titled ‘Pulling North Korea To The Brink’ (April 2013). In that Report we stated that North Korea had been for China - “a *convenient communist buffer State, and a small but vicious pit bull that could, on command, make life difficult for its ideological and economic competitors...But then something else changed. China came to need the West and its prosperous South East Asia neighbours...*” and that China, ‘when push came to shove’, would side with the West (U.S.) and its South East allies to “de-fang” North Korea of its nuclear weapons. Shortly after our Report came out the newly appointed Chinese President Xi Jinping visited the U.S. and jointly announced with the U.S. President Barack Obama, that both nations had agreed to work together to de-nuclearize North Korea. Of all our correct prognostications, this one with a positive outcome was doubly gratifying.

The last two Economic Reports were consistent in our assessment of the continuing trend of the global economic recovery, in that, we still believed that in-spite of all the liquidity being pumped into the economies, sustainable, solid recovery was definitely many months, if not years away. What would make the difference between months or years? Another crash, and we believe it is still possible. There are still too many potential ticking time bombs in the global high flying asset markets, Europe’s weak links, China’s overinflated real estate market and overleveraged banking system, to name a few, and some of them are ticking ever louder.

So far, our contrarian analysis of how geo-political economic events will actually turn out, have been bang-on. The next trillion dollar question for the global economies now is – Where to from here?

That is the subject of our next detailed geo-political economic report.