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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".

The State of the Union Address vs. Global Realities



On February 12, the 2013 "State of the Union Address" was delivered by the American President, Barack Obama. While he covered all the major issues that are on the agenda in American politics today, we will focus on the ones that he highlighted as the "North Star" issues, namely – "How do we attract more jobs to our shores? How do we equip our people with the skills they need to get those jobs? And how do we make sure that hard work leads to a decent living?"

These "North Star" issues seem to form the bedrock, the core of his Administration's economic policy, thereby driving the rest, such as energy, environment, education, R&D, etc. The above three questions are what he said should be asked by the United States as a nation, everyday. Since the U.S. is planning to put such emphasis on these "goals", we feel that it is worth examining the chances of success of these "goals", in light of the current global realities, as America's success or failure will affect global economic performance, and vice-versa.

In the first of them, "How do we attract more jobs to our shores?" the American Administration is stating their intent to try and create new jobs, resuscitate jobs lost in the past 4 years since the financial crisis of 2008, and recapture jobs lost in the past two and a half

decades to lower cost markets offshore. While the U.S. desperately needs to create new and resuscitate and recapture old jobs, to bring itself up to full employment and full economic recovery, the present global geo-political economic reality, in our opinion, does not favour the chances of success.

All other major governments and economies trying to dig themselves out, or stay out of the ongoing recession, also need to create similar jobs and during the same time period. And, as the U.S. Administration is talking about attracting "jobs to **their** shores", what they are talking about is onshore and offshore money, investing in new American industry rather than investing it elsewhere. The competition for that capital investment is going to be very fierce as most other countries need that same investment, some even more desperately.

Some of the European countries come to mind when we think of the desperate need for job creation at this time. Their unemployment rates are far higher than the U.S. (17% to 50% in some countries as compared to 7.9% in the U.S.), as is their total debt to GDP ratio. Right now, they are trying to stabilize themselves financially, and at the moment, it is not looking very good, but if they do stabilize their focus must shift to job creation. To do that, they must incentivize national and international investors to help them rebuild their own decimated economies. Presently, they represent too high a risk profile, both financially and politically, but once stabilized, and with a reformed financial and labour regulatory environment, Europe might be quite competitive and attractive to global investors, vis-à-vis the U.S. But Europe and Eastern Europe, are not the biggest challenge for new capital investment, it is going to continue to be Asia.

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Asia is in another league altogether when it comes to the **need** for job creation. While Asia has been the primary beneficiary of job migration, and new job creation for the last couple of decades, their need for ever greater economic expansion remains critical. Asian countries are generally more densely populated than North American and European countries, and in most cases their populations are younger, and unemployed in far greater numbers. And while Asian economies have fared better than the developed economies during this past recession, and will continue to post much higher growth rates in the foreseeable future, except for Japan, their number of poor can exceed entire populations of individual Western countries. The two Asian giants, China and India alone have a combined population of approximately 2.5 Billion people, at least half - 1.25 Billion, would be classified desperately poor by any reasonable standard. Their desperation represents a serious threat to both the governments, making for tremendous political will that is not only driven by the need to hold on to power, as in the West, but also to stave off national security threatening unrest. Both countries have to keep their economies growing and creating jobs at all costs, to keep the potential for serious social unrest at bay. Come to think of it - some of the European governments are now also facing that magnified threat today.

Asia's rise was, in a large measure, due to the off-shoring of manufacturing and service jobs from the higher-cost West (factories, back-office support work, call centers, etc.). And while some jobs were repatriated to the West in the past decade, due to rising costs, political, economic, regulatory and personal risk, these numbers were small compared to the overall trans-migration of jobs. As the fundamental factors that attracted the job migration to Asia in the first place, are still intact, namely: lower overall costs; and easy access to vastly bigger

and faster growing markets, it is difficult to see a reversal of that over-arching trend due to the need for jobs in the West. The incentives that may be offered by the U.S. Government and other Western governments, such as special export and economic development tax zones, R&D incentives and facilities, land, fast track permitting agencies, and such similar incentives, are to a large degree already policy in most Asian economies. And while most things don't work as efficiently and may not be quite the same quality as in the West, the significantly overall lower costs, and the sheer size, proximity and demand in and of the emerging markets of Asia, are going to present the Western Governments, including the U.S., a direct challenge to attracting offshore and onshore investment, to create onshore jobs. Money will follow returns, and the returns in Asia generally still exceed the returns possible in the U.S. and the rest of the Western countries.

As to the second question the President asked, "How do we equip our people with the skills they need to get those jobs", the Americans face even greater challenges. This question falls into the realm of education and training, the two areas where according to their own admission they have been sliding backwards for decades. With enough focused intention and capital investment by the various levels of governments, and a change in attitude in the general population from a sense of entitlement to an acute awareness of the changed realities of the larger World, some of that slide may be arrested. But, it will take years before meaningful change takes place in the population, so that a well-educated, well-trained workforce is available and properly equipped with the skills to service the sophisticated new industry, that may have a chance of succeeding in a higher-cost environment, against a better educated, highly competitive, lower-cost outside World. America will have to reform its deeply

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flawed public education system, and develop educational and training facilities that in the words of the President, “equip our people with the skills they need to get those jobs.” That exercise started now, could take a decade before it starts to show any meaningful results.



The intention of the third question posed, “And how do we make sure that hard work leads to a decent living?” is somewhat easier realized if the first two come to pass. But to “make sure that hard work leads to a decent living”, there are other factors to consider, such as fair tax regimes, fair wages that keep up with inflation at the very least, affordable health care and housing, affordable quality educational and training facilities, efficient government and private support institutions (such as financial, judicial – law and order), personal and national security, good infrastructure and of course relatively abundant and cheap energy. Most of these issues were addressed by the President as part of the State of the Union Address in some detail, as either an issue of high priority requiring immediate action, or one of major concern to be tackled as soon as possible. But by his own admission some of these goals are going to be very difficult to achieve.

Not the least of the hurdles in trying to achieve such an ambitious ‘turn-around’ strategy is going to be the availability of vast amounts of cash required going forward. The problem with that requirement at this time is that an unprecedented amount of debt is being carried by the Government of United States and the various State governments. A record level of

debt, that in of itself has become a priority goal of the U.S. government for meaningful reduction. So just when great wads of cash are required to fund the “North Star” issues, the government and its instrument for liquidity ‘the Federal Reserve’ is going to be forced to turn the spigots off, as they have been open full out, for much too long. That is going to add an additional degree of difficulty to all the challenges already facing the President and his Administration.

So, in our opinion the agenda will succeed to a degree, but that achievement is going to be slow and painful, due to the current global realities, the ongoing active opposition of the Republican Party, and if the global financial system doesn’t collapse again under the growing, excessive national bad debt burden.