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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".

## Global Economic Recovery – Not Yet – Part 2

In my last article I had pointed out a number of factors that would continue to impede the Global economic recovery, in spite of the latest stimulus initiatives being undertaken by the Federal Reserve and other Central Banks.

One of the principal reasons, I had mentioned, as to why the recovery could not take hold, despite Trillions being spent globally on stimulus, was the incapacity of the consumers in the West to spend to pre 2008 financial meltdown levels. The second reason was the ongoing recession in the West creating the slowdowns in the emerging markets, which in turn further slowed down the overall Global recovery. This interdependence has become an interlocked downward spiral, for both the developed and the emerging economies.

Unfortunately there is another serious growing geo-political issue that is fast becoming an additional hurdle to economic activity World over. This development is, in some measure, the direct result of the difficult times that all countries are facing due to the prolonged recession, and the subsequent ending of the good times that had been rolling for an unprecedented decade and a half.

The development is the nationalistic sentiment that is becoming more pronounced as the hard times persist. Some of this ultra-nationalistic sentiment is arising from the anger and frustration of those in the public that continue to suffer from the continuing hardships inflicted by the prolonged recession. But, some of it is government induced, as almost all governments try and recapture local production and consumption in an effort to boost economic activity in their own country. By promoting "buy local" policies the governments, to a degree,

have to vilify other countries and their industries, and encourage local manufacturing and the purchasing of their own products, over imported goods and services. These politically motivated, inward turning trade policies are counter to the spirit of free trade agreements that are still being promoted by most governments, but in reality these same governments are becoming more protective of their own industries and are at times becoming actively anti-imports. These contradictory policies will slow economic recovery, and in their more aggressive form, become a significant hurdle to the free flow of global trade.

In their most virulent and violent expressions these nationalistic sentiments, such as the recent protests in China against Japan's claims of ownership for the South China Sea islands, known as Senkaku by the Japanese and Diaoyu by the Chinese, will discourage and forestall foreign investment, further slowing much needed economic development. Foreign capital will become increasingly fearful, and rightly so, to invest in countries where political or public sentiment, or both, can seriously jeopardize investment and personal safety of foreigners. Those companies that already have substantial investment in factories or infrastructure, in potentially hostile environments, such as the Japanese companies in China, must be actively strategizing on ways to mitigate the existing exposure, while seriously rethinking any plans for future major investments.

This trend has been in the making for a while, and it includes the recent resurgence of nationalization and threats of nationalization from cash strapped governments, or governments that want to deflect public anger

# Global Economic Recovery – Not Yet – Part 2

September 27, 2012  
Page 2

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and frustration, to some historically vilified outsiders. In the recent past, Venezuela, Bolivia, Mexico, Argentina, Zimbabwe and others, have nationalized or threatened to nationalize foreign owned assets. This developing trend adds significantly to the risk of international investment, and creates a climate of fear.

In the 1960s and the 1970s, mass nationalizations had taken place in Europe, U.K., Eastern Europe and Middle East and Asia. In the 1980s and 1990s this trend had reversed, and by the early 2000s even China and India (communist and socialist regimes) had started to privatize some of their public sector holdings. But post 2008 crash, nationalization, threats of nationalization, or protection of national industry is once again on the rise. This development, present even in the most advanced economy, the United States (“bring jobs home, buy U.S.A.”), adds another significant hurdle that will slow down the nascent Global economic recovery.

High government debt and slow economic growth are creating great political stresses globally. Record low interest rates held down for unprecedented periods, to boost liquidity and stimulate spending, are penalizing savings in precisely those countries where savings need to be encouraged the most. Lack of consumer capacity in the developed World is resulting in 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. Geo-political and nationalization threats will lead to hesitant foreign direct investments, impacting economic development in these countries. These and other factors,

such as endemic corruption in developing and developed economies at the highest level, will play an interconnected and integral role in delaying any quick and strong economic recovery.

The current Global economic landscape is fraught with potential pitfalls and landmines, identifying them and knowing their location, at worst, should warn of their damage potential, and at best, should help in avoiding them altogether. Additionally, very significant adjustments and structural changes will need to take place, in many of the major economies, before they will be able to support a sustainable recovery in their own jurisdiction, which collectively will then become a Global economic recovery. Considering how few governments are willing to make the tough decisions required to put their house in order, a Global recovery could be a while.