Research Paper Economics

World Economic Forum 2014 and India A Way Ahead

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KEYWORDS

Preface:
The World Economic Forum Annual Meeting 2014, taking place in Davos-Klosters, Switzerland on 22-25 January, will convene under the theme "The Reshaping of the World: Consequences for Society, Politics and Business".

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas. Incorporated as a not-for-profit foundation in 1971, and headquartered in Geneva, Switzerland, the Forum is tied to no political, partisan or national interests.

The overall agenda of this paper is not to aware people about the world economic forum but here researcher tried to it is find out i mistakenly wrote fine. the spout of opportunity which India may encase in the scheduled meeting of world economic forum in India between 4-6 November 2014. This forum would welcome Chief executives, Member companies, Political leaders (from the G20 and other relevant countries), Heads of international organizations, Experts representing our Global Agenda Councils, Representatives from our civil society stakeholder groups, Young Global Leaders, Social Entrepreneurs, Technology Pioneers, Global Shapers, Media leaders & Spiritual and cultural leaders. One who has diminutive knowledge about the economics or economy can easily understand that if we capitalize this opportunity credibly, we can achieve superpower status even before 2030 and may be Asia largest economy, but all depends how we make the most of this.

World Economic report 2014 and "global risks of highest concern"
world economies, particularly developed and developing nations going through the recessionary phase, which also brining down the world business transaction and again has captivate the agenda that whether capital market modus operandi is applicable to all nations at all levels or not.

Although world economies are being recovered from the period of depression, which got a new height in the year 2008 and left leading economist to scratch their heads to find out the reason of economic Pandora box, which shaped millions of issues before the economies, economist and politician to sort out.

World economic forum has presented a report after taking the The views of 700 experts from around the world. Ten of what the World Economic Forum calls the "global risks of highest concern" for 2014 are as follows:

"The risks are grouped under five classifications—economic, environmental, geopolitical, societal and technological—and measured in terms of their likelihood and potential impact," the statement says.

Fiscal crises in key economies
"Fiscal crises feature as the top risk in this year's Global Risks report. Advanced economies remain in danger, while many emerging markets have seen credit growth in recent years, which could fuel financial crises. A fiscal crisis in any major economy could easily have cascading global impacts."

Structurally high unemployment/underemployment
"Unemployment appears second overall, as many people in both advanced and emerging economies struggle to find jobs. Young people are especially vulnerable—youth unemployment is as high as 50% in some countries and underemployment (with low-quality jobs) remains prevalent, especially in emerging and developing markets."

Water crises
"Environmental risks feature prominently on this year's list. Water crises, for instance, rank as the third highest concern, illustrating a continued and growing awareness of the global water crisis as a result of mismanagement and increased competition for already scarce water resources."

Severe income disparity
"Closely associated in terms of societal risk, income disparity is also among the most worrying issues. Concerns have been raised about the squeezing effect the financial crisis had on the middle classes in developed economies, while globalization has brought about a polarization of incomes in emerging and developing economies."

Failure of climate change mitigation and adaptation
"Even as governments and corporations are called upon to speed up greenhouse gas reduction, it is clear that the race is on not only to mitigate climate change but also to adapt. Failure to adapt has the biggest effect on the most vulnerable, especially those in least developed countries."

Greater incidence of extreme weather events (e.g. floods, storms, fires)
"Climate change is the key driver of uncertain and changing weather patterns, causing an increased frequency of extreme weather events such as floods and droughts. The *Global Risks 2014* report draws attention to the combined implications of these environmental risks on key development and security issues, such as food security and political and social instability, ranked 8th and 10th respectively.»

Global governance failure
"The risk of global governance failure, which lies at the heart of the risk map, was viewed by respondents as one of the

risks that is most connected to others. Weak or inadequate global institutions, agreements or networks, combined with competing national and political interests, impede attempts to cooperate on addressing global risks."

Food crisis
"One of the top societal risks in the report, food crisis occur when access to appropriate quantities and quality of food and nutrition becomes inadequate or unreliable. Food crisis are strongly linked to the risk of climate change and related factors."

Failure of a major financial mechanism/institution
"Over five years after the collapse of Lehman Brothers, the failure of a major financial mechanism or institution also features among the risks those respondents are most concerned about, as uncertainty about the quality of many banks' assets remains."

Profound political and social instability
"At number 10 is the risk that one or more systemically critical countries will experience significant erosion of trust and mutual obligations between states and citizens. This could lead to state collapse, internal violence, regional or global instability and, potentially, military conflict."

World economic Forum and India:
Being a part of this global market we cannot keep away our self from the waves of business fluctuation, which Cleary indicates that our economic policies have to be addressed according to world market and its concern and as an Asia's third largest economy, the world's largest democratic system and most populous country, with over 1.2 billion inhabitants. In this indispensable emerging market, the country's entrepreneurs and rapidly globalizing firms are key contributors to the world economy. However, as a fundamentally bottom-up, state-led and centrally enabled model, the country's development is a multidimensional undertaking. As a result, the challenges and opportunities that India encounters are among the most important yet also least understood in the world.

When WORLD ECONOMIC FORUM 2014 is taking place in Davos our economy Growth has slowed, inflation is on the rise, voters are losing trust in their leaders and the confidence of investors is fading. despite this, India is expected to overtake Japan as the world's third largest economy by 2015 and surpass China as the most populous nation by 2030. The promise of favourable demographics, a rising middle class, improved trade relations with Pakistan, and a successful business sector indicate there is an opportunity to shape India's next wave of economic growth and transformation in international affairs.

Marking the thirtieth year of the World Economic Forum's active engagement in India, taking place at a time when the energetic optimism for India which has been prevalent in the past decade has given way to questions about the country's true potential, the Forum will provide the foremost multi stakeholder platform bringing together international and national leaders in New Delhi who are invested in building a sustainable roadmap for India's future.

This meeting will offer an opportunity to meet with the new government to discuss key issues that challenge inclusive growth in India and to focus to craft solutions. This will be an invaluable meeting for all who have a real interest in the future of India.

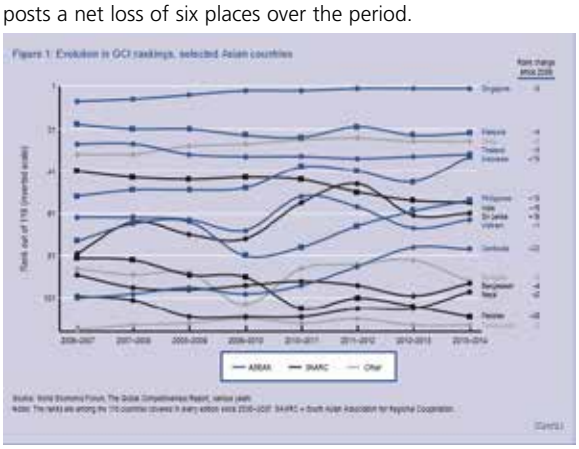
We embraced the process of LPG two decade back after landing spell in financial crisis due to unfavorable balance of payment, but the gamble went successful as it led to unprecedented and unparalleled growth in terms of employment, rising income, high living standard, quality of life and many more positive things were added to our economy.

India is scheduled to have parliamentary election in May 2014 which is the biggest festivel of Indian democracy where every individual is intentionally, unintentionally, directly or indirectly is the part of this non economic fest.

One day, before writing this paper, I was watching A programme was sponsored by Times Now in which Indian finance minister Mr. P. Chidambaram, Sunil Bharti Mittal CEO (Bharti Airtel), and other business leader and economist were seen discussing economic issues, in-fact our finance minister was predicting the India growth story for coming year without considering the upcoming parliamentary election but one thing was really noticeable that all the invertors those who were present there, instead of talking about the India's investment prospect were busy discussing the next parliamentary election result, next PM and leading party in upcoming election and new bee, AAP Prospects were also discussed. And all of sudden, I realized that political ideology is a determining factor of investment and investors community always look at its sensitivity and its philosophy towards business.

Our standing as an Economy:
As the relevance of international value chains continues to grow within the global economy, international trade is increasingly taking place within the production networks of multinational corporations. According to estimates from the Organisation for Economic Co-operation and Development (OECD), imported intermediate inputs account for about one- quarter of OECD members' exports. For China, this share is about 30 percent; it is about twice that for India and Brazil. From a national perspective, participation in value-chain trade has many benefits. Beyond export revenue, these include employment and indirect spillovers in areas such as management, technical know-how, and access to new technologies.

Second, in terms of competitiveness levels and trends, the ASEAN nations fare much better than most developing Asian nations, especially when compared with South Asian Association for Regional Cooperation (SAARC) countries (identified by solid black lines in Figure 1). With the notable exception of Sri Lanka, which has gained 19 ranks, the historical performance of other SAARC countries is disappointing. India has lost 15 places since 2006. The Philippines, once 40 places behind, is now ahead of India, and its rank differential with China—the other BRIC in the region—is 29, up from just 8 in 2006. Meanwhile Pakistan, the second largest country in South Asia, has slumped 28 positions, the fourth biggest decline out of all economies in the sample, over the 2006–2013 period. Mongolia, like Vietnam, exhibits erratic trends, owing to an unstable macroeconomic environment and investment climate, and posts a net loss of six places over the period.



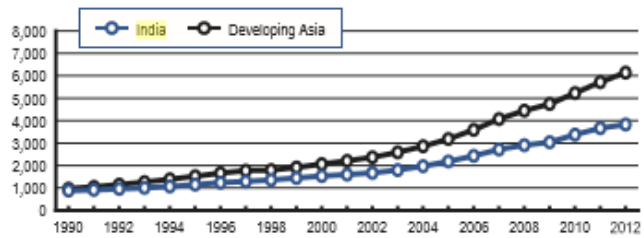
Down one position, India now ranks 60th, continuing its downward trend that began in 2009. With a GCI score essentially unchanged since then, India has been overtaken by a number of countries. Once ahead of Brazil and South Africa, it now trails them by several places and is behind China by a margin of 31 positions, while Russia (64th) has almost closed the gap. India continues to be penalized for its very disappointing performance in the basic drivers underpinning com-

petitiveness, the very ones that matter the most for India given its stage of development. The country's supply of transport, ICTs, and energy infrastructure remains largely insufficient and ill-adapted to the needs of the economy (85th), despite the steady improvement that has been made since 2006. The Indian business community repeatedly cites infrastructure as the single biggest hindrance to doing business, ahead of corruption

Key indicators, 2012

Population (millions)	1,241.5
GDP (US$ billions)	1,824.8
GDP per capita (US$)	1,492
GDP (PPP) as share (%) of world total	5.63

GDP (PPP) per capita (int'l $), 1990–2012



Global Competitiveness Index

	Rank (out of 148)	Score (1–7)
GCI 2013–2014	60	4.3
GCI 2012–2013 (out of 144)	59	4.3
GCI 2011–2012 (out of 142)	56	4.3
Basic requirements (60.0%)	96	4.2
Institutions	72	3.9
Infrastructure	85	3.7
Macroeconomic environment	110	4.1
Health and primary education	102	5.3
Efficiency enhancers (35.0%)	42	4.4
Higher education and training	91	3.9
Goods market efficiency	85	4.2
Labor market efficiency	99	4.1
Financial market development	19	4.8
Technological readiness	98	3.2
Market size	3	6.2
Innovation and sophistication factors (5.0%)	41	4.0
Business sophistication	42	4.4
Innovation	41	3.6

Stage of development



The Global Competitiveness Index in detail

	INDICATOR	VALUE	RANK/148
	1st pillar: Institutions		
1.01	Property rights	4.4	58
1.02	Intellectual property protection	3.7	71
1.03	Diversion of public funds	2.8	98
1.04	Public trust in politicians	2.2	115
1.05	Irregular payments and bribes	3.2	110
1.06	Judicial independence	4.7	40
1.07	Favoritism in decisions of government officials	2.8	94
1.08	Wastefulness of government spending	3.0	87
1.09	Burden of government regulation	3.1	104
1.10	Efficiency of legal framework in settling disputes	3.8	62
1.11	Efficiency of legal framework in challenging regs.	3.8	48

	INDICATOR	VALUE	RANK/148
	6th pillar: Goods market efficiency (cont'd.)		
6.06	No. procedures to start a business*	12	129
6.07	No. days to start a business*	27	103
6.08	Agricultural policy costs	3.7	87
6.09	Prevalence of trade barriers	4.4	61
6.10	Trade tariffs, % duty*	11.7	128
6.11	Prevalence of foreign ownership	4.3	94
6.12	Business impact of rules on FDI	4.6	67
6.13	Burden of customs procedures	3.8	88
6.14	Imports as a percentage of GDP*	33.7	107
6.15	Degree of customer orientation	4.5	78
6.16	Buyer sophistication	3.6	59

1.12	Transparency of government policymaking	4.2	81
1.13	Business costs of terrorism	4.7	113
1.14	Business costs of crime and violence	4.7	71
1.15	Organized crime	4.8	85
1.16	Reliability of police services	4.0	82
1.17	Ethical behavior of firms	3.7	88
1.18	Strength of auditing and reporting standards	4.9	52
1.19	Efficacy of corporate boards	4.6	65
1.20	Protection of minority shareholders' interests	4.4	52
1.21	Strength of investor protection, 0–10 (best)*	6.0	41

2nd pillar: Infrastructure

2.01	Quality of overall infrastructure	3.9	85
2.02	Quality of roads	3.6	84
2.03	Quality of railroad infrastructure	4.8	19
2.04	Quality of port infrastructure	4.2	70
2.05	Quality of air transport infrastructure	4.8	81
2.06	Available airline seat km/week, millions*	3,288.0	13
2.07	Quality of electricity supply	3.2	111
2.08	Mobile telephone subscriptions/100 pop.*	68.7	123
2.09	Fixed telephone lines/100 pop.*	2.5	118

3rd pillar: Macroeconomic environment

3.01	Government budget balance, % GDP*	-8.3	141
3.02	Gross national savings, % GDP*	29.8	28
3.03	Inflation, annual % change*	9.3	130
3.04	General government debt, % GDP*	66.8	116
3.05	Country credit rating, 0–100 (best)*	60.0	47

4th pillar: Health and primary education

4.01	Business impact of malaria	4.6	112
4.02	Malaria cases/100,000 pop.*	1,946.2	116
4.03	Business impact of tuberculosis	4.7	103
4.04	Tuberculosis cases/100,000 pop.*	181.0	114
4.05	Business impact of HIV/AIDS	4.8	96
4.06	HIV prevalence, % adult pop.*	0.30	80
4.07	Infant mortality, deaths/1,000 live births*	47.2	120
4.08	Life expectancy, years*	65.5	111
4.09	Quality of primary education	3.6	84
4.10	Primary education enrollment, net %*	93.3	80

5th pillar: Higher education and training

7th pillar: Labor market efficiency

7.01	Cooperation in labor-employer relations	4.4	81
7.02	Flexibility of wage determination	5.3	50
7.03	Hiring and firing practices	4.1	52
7.04	Redundancy costs, weeks of salary*	15.8	78
7.05	Effect of taxation on incentives to work	3.7	67
7.06	Pay and productivity	4.1	58
7.07	Reliance on professional management	4.6	46
7.08	Country capacity to retain talent	3.8	50
7.09	Country capacity to attract talent	3.7	54
7.10	Women in labor force, ratio to men*	0.36	137

8th pillar: Financial market development

8.01	Availability of financial services	5.0	45
8.02	Affordability of financial services	4.8	38
8.03	Financing through local equity market	4.6	18
8.04	Ease of access to loans	3.3	38
8.05	Venture capital availability	3.3	27
8.06	Soundness of banks	5.5	49
8.07	Regulation of securities exchanges	5.1	27

9th pillar: Technological readiness

9.01	Availability of latest technologies	5.2	58
9.02	Firm-level technology absorption	5.0	48
9.03	FDI and technology transfer	5.0	32
9.04	Individuals using Internet, %*	12.6	120
9.05	Fixed broadband Internet subscriptions/100 pop.*	1.1	108
9.06	Int'l Internet bandwidth, kb/s per user*	5.2	113
9.07	Mobile broadband subscriptions/100 pop.*	4.9	99

10th pillar: Market size

10.01	Domestic market size index, 1–7 (best)*	6.2	3
10.02	Foreign market size index, 1–7 (best)*	6.4	4
10.03	GDP (PPP$ billions)*	4,684.4	3
10.04	Exports as a percentage of GDP*	24.2	125

11th pillar: Business sophistication

11.01	Local supplier quantity	5.7	2
11.02	Local supplier quality	4.4	76
11.03	State of cluster development	4.9	16

5.01	Secondary education enrollment, gross %*	83.2	110
5.02	Tertiary education enrollment, gross %*	17.9	98
5.03	Quality of the educational system	4.4	33
5.04	Quality of math and science education	4.7	32
5.05	Quality of management schools	5.0	30
5.06	Internet access in schools	4.1	77
5.07	Availability of research and training services	4.5	47
5.08	Extent of staff training	4.2	53

6th pillar: Goods market efficiency

6.01	Intensity of local competition	5.6	24
6.02	Extent of market dominance	4.4	28
6.03	Effectiveness of anti-monopoly policy	4.7	29
6.04	Effect of taxation on incentives to invest	4.1	44
6.05	Total tax rate, % profits*	61.8	128

11.04	Nature of competitive advantage	3.4	80
11.05	Value chain breadth	4.2	40
11.06	Control of international distribution	4.4	38
11.07	Production process sophistication	4.1	52
11.08	Extent of marketing	4.4	52
11.09	Willingness to delegate authority	3.9	58

12th pillar: Innovation

12.01	Capacity for innovation	4.0	41
12.02	Quality of scientific research institutions	4.5	37
12.03	Company spending on R&D	3.6	39
12.04	University-industry collaboration in R&D	4.0	47
12.05	Gov't procurement of advanced tech products	3.3	92
12.06	Availability of scientists and engineers	5.0	15
12.07	PCT patents, applications/million pop.*	1.4	64

Notes: Values are on a 1-to-7 scale unless otherwise annotated with an asterisk (*). For further details and explanation, please refer to the section "How to Read the Country/Economy Profiles" on page 97.

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The Global Competitiveness Report 2013–2014

India's sustainable competitiveness is also characterized by concerns in both areas of sustainability. On the social sustainability side, India's performance is hindered by lack of access to basic sanitation and health services for many of its citizens (only 35 percent of the population has access to improved sanitation). Also, despite the introduction of the National Social Assistance Programmes (NSAP) in 1995, the share of population covered by the social safety net is still relatively small. This issue, combined with a large informal sector and a high share of the workforce in vulnerable employment, makes it difficult to manage the country's growing income inequality. Altogether these structural issues make India's competitiveness vulnerable to shocks. India's environmental performance also hinders the achievement of sustainable competitiveness. A high level of emissions (especially in terms of particulate matter concentration) and few protected areas are wearing down the quality of the natural environment. Additionally, high agricultural water-use intensity is depleting water tables because usage is above their regenerative capacity. According to the Ministry of Water Resources, "68% of the country is prone to drought in varying degrees of which 33% is chronically drought prone."52 Agriculture use, industrial use, increasing population, infrastructure gaps, and contamination exacerbate the water scarcity issue. The Ministry of Water Resources reports that: "high incidence of fluoride, arsenic, iron & heavy metals has been found in isolated pockets" in several states.

Notwithstanding improvements across the board over the past few years, very poor public health and education levels (102nd) remain a prime cause of India's low productivity. The quality of higher education is better, but enrollment rates at that level remain very low, even by developing- country standards. Turning to the country's institutions (72nd, down two places), discontent within the business community remains high about the lack of reforms and the perceived inability of the government to push them through. Public trust in politicians has been eroding since 2009 and has now reached an all-time low at 115th, while bribery remains deeply rooted (110th). Indeed, India has lost almost 30 ranks on this indicator since 2010. Meanwhile, the situation has deteriorated further on the macroeconomic front, with India now 110th in this pillar. The inflation rate and public deficit-to-GDP ratio were dangerously close to double digits in 2012, and the debt- to-GDP ratio is the second highest among the BRICS. Indeed, a March 2013 survey of sovereign debt analysts reveals an increased risk of sovereign debt default over the previous year. Another major concern is the country's low level of technological readiness (98th). Although businesses adopt new technologies relatively promptly (47th), penetration rates of fixed and mobile Internet and telephony among the population remain among the lowest in developing Asia. Furthermore, the situation has worsened in terms of labor market efficiency (99th), where the most salient problem remains the dismally low participation of women in the workforce. With a ratio women-to-men of 0.36 (137th), India has the lowest percentage of working women outside the Arab world.

Conclusion:

Montek Singh Alhuwalia, deputy chair of India's planning committee, who says China may have slowed down, but it's still growing at above the official target (7.7% I think). He says that some of India's slowdown, from 8% growth per year to 5%, is because of domestic economic problems. We have run into domestic structural restraints, he says, citing "environmental activism" and "legal activism" for causing many large projects to slow down. We're reacting by offering more permits, but the key is to change the system to make it easier to get projects going, "and that's going to happen".

When we critically analysis the above statement of Montek Singh Alhuwalia, it gives the smell that still we are putting excuses and trying to justify our efforts which we executed in last decade, now it's time when our policy makers and politician have to give up this tendency of putting excuses and blaming opposition for such failure and disastrous decisions, time has come when we have to stand up, above our political interest, to shape a success story of new India from there we

can lead the world. and coming world economic forum may be the first steps towards that process. One last thing I don't want to miss out that India and china had same GDP in 1978 but today Chinese dragon is ready to rule entire world and in-fact has become world power whereas our economy is still busy to fight with issues those are of non economic in nature.

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