Editorial

Economic Revival is the Need of Hour

Economies across the world have been struggling hard for revival to the pre-crisis level growth rates. Most of the economies have been trying in vain to ensure a steady course to economic growth, ever since the onset of the global financial crisis four and half years back. But, the asymmetries spreading across the world in the manufacturing and service sectors have been proving to be almost invincible, against regaining the pre-crisis level growth rates. Indeed, except China, the majority of the countries have been falling victim of these asymmetries spreading across the world. Even, India, which is having second fastest rate of economic growth after China, is one of the worst sufferers of these asymmetries. Inspite of having 5% overall GDP growth rate, the manufacturing sector has nosedived to 2.7% in 2011-2012 and to 1.9% in 2012-2013, amounting to the worst ever paralytic decline after Independence. Such a nose-dive is unprecedented in the last six and half decades after the Independence. Rather, the manufacturing sector growth rate had always been above 5.5% even in 50s and 60s, the decades succeeding immediately after the independence as well. But, of late India is fast becoming foreign dependent, especially upon China in one sector after the other in the manufacturing & infrastructure sectors. Beginning with the telecom sector, scores of other sectors, including electronics, electrical equipments, power plants, pharma manufacturing, imitation jewellery, chemicals and so on are fast loosing steam. The decline in the manufacturing sector is also coupled with fast ballooning trade and current account deficits. The high trade and current account deficits are putting pressure on the balance of payments and thereby compelling the government to increasingly open up the foreign direct and portfolio investments, even at the cost of increased foreign dependence and losing ownerships in industry, trade and commerce. The resultant poor tax-GDP ratio is also leading to a very high fiscal deficit, which is another grey area, evading any solution in near future.

A large majority of countries having similar bleak scenario, are marred by the similar random forces of uncertainty. But, inspite of their sagging output, in comparison with the pre-crisis periods, the developing countries are still the main drivers of global economic growth. In order to regain pre-crisis level growth rates, in the first place, the developing countries shall have to enhance productivity and expand their manufacturing sectors, with reasonable protective measures to support domestic trade, commerce and industry. This would require them to re-invoke some geo-political barriers in the way of cross-border trade and investments for some time till these economies are buoyed to participate in freer global trade and investment, with fair deal of reciprocity. The developed countries experiencing the worst ever, and fast spiralling burden of social security, countries with increasing demographic deficit and stagnation in the manufacturing sector, would hardly be able to come out of their crises by any extent of market access into the developing countries. Simply because, the markets as in the developing coupled are not deep enough, due to poor purchasing power, to help the developed countries to revive their growth rates from such shallow markets marred by poor purchasing power. Rather, a short moratorium on free mobility to cross-boarder trade and investments into the developing countries would help them to gain strength, to revive their growth rates above the pre-crisis levels and would also strengthen them to in due course to prove a potent engine of growth for the developed world as well thereafter. But, it is possible, only if the multilateral trade agreements signed under the domain of the WTO are revisited and the free trade agreements are also revised for the purpose, at least for a minimum transitory phase.

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