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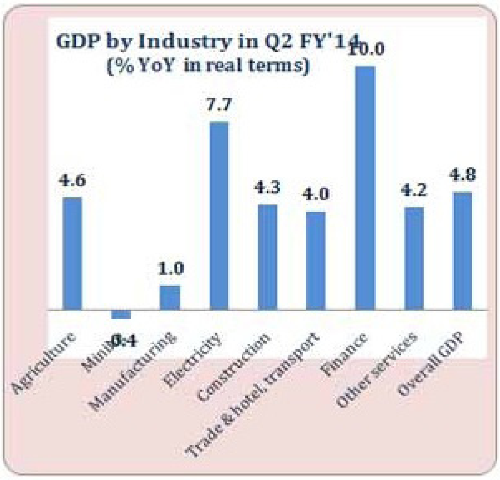
Indian Economy Grows at 4.8% in Q2

-By Irina Goel

- The Central Statistics Office released the estimates of Gross Domestic Product (GDP) for the second quarter (July-September) Q2 of 2013-14 on 29th November 2013.

GDP is the value of a country's overall output of goods and services (typically during one fiscal year) at market prices, excluding net income from abroad. GDP estimates, published quarterly, are constantly revised to approach greater accuracy. If indirect taxes are deducted from the market prices and subsidies are added, it is called GDP at factor cost or national dividend. If depreciation of the national capital stock is deducted from the GDP, it is called net domestic product. If income from abroad is added, it is called gross national product (GNP).

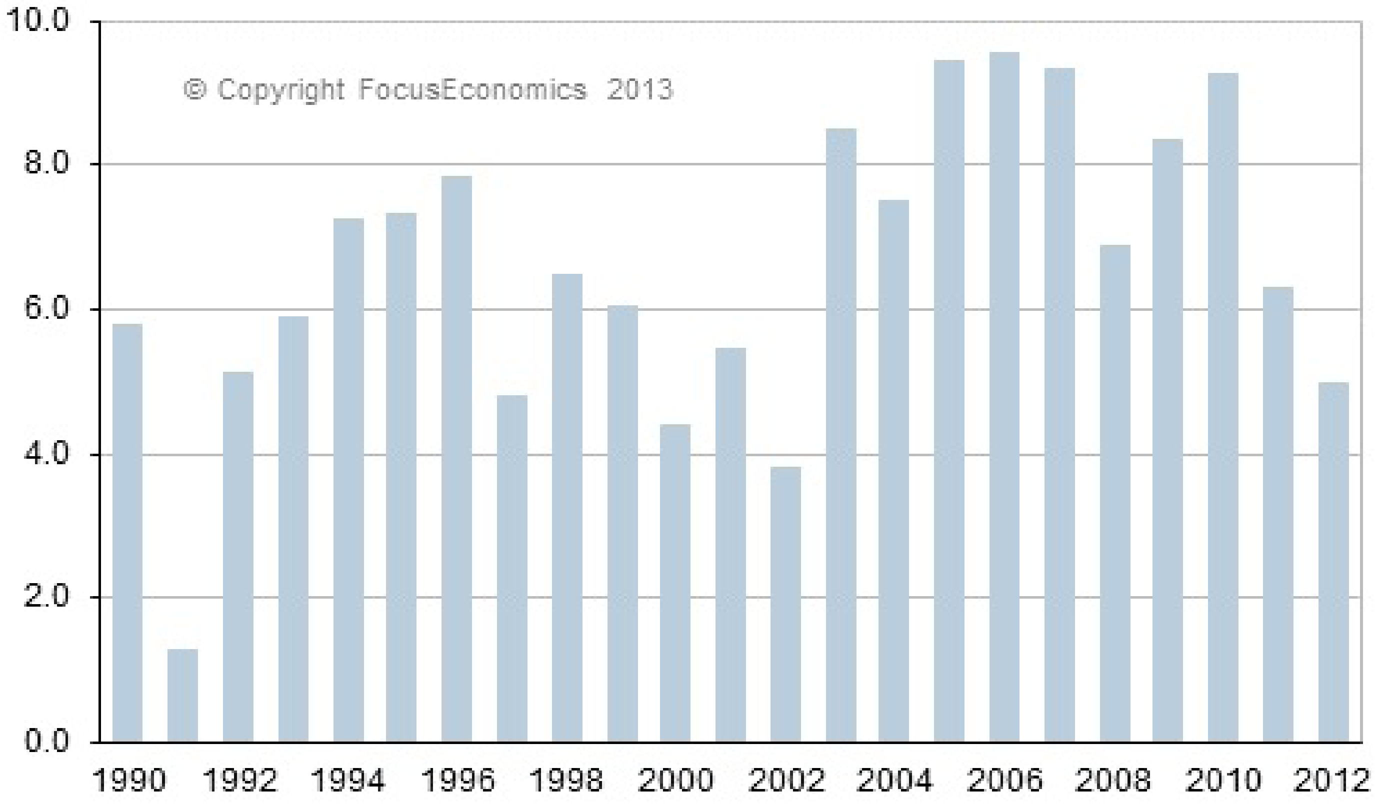


According to data released by the Central Statistics Office (CSO) on 29th November 2013, the agriculture sector registered healthy growth of 4.6 percent, while manufacturing and mining sector showed a disappointing performance of 1 percent growth in the July-September quarter.

This is the fourth consecutive quarter of economic growth below 5 percent. The growth had slumped to 4.4 percent in the April-June quarter. The economic activities which registered significant growth in during the quarter under review include agriculture, forestry and fishing at 4.6 percent; electricity, gas and water supply at 7.7 percent; construction at 4.3 percent; financing, insurance, real estate and business services at 10 percent and community, social and personal services at 4.2 percent.

The mining and quarrying sector declined by 0.4 percent; manufacturing grew at 1 percent and trade, hotels, transport and communication registered growth of 4 percent year-on-year during the quarter.

The government expects that the growth in the current financial year will be in the 5 to 5.5 percent range. The Reserve Bank of India (RBI) has pegged the growth during 2013-14 at 5 percent.



However, international agencies like International Monetary Fund (IMF) and World Bank put the growth much below 5 percent at 3.75 percent and 4.7 percent respectively for the financial year ending March 31, 2014.

Since the output from major sectors like mining, manufacturing and service is low, drivers of growth like good monsoon and exports are insufficient to pull the economy out of the present slowdown.
The problems accruing from low investment and consumption demand, together with high food inflation, are holding back the economy.

World Trade Organization, Bali Round

Will the Circle End?

- By Venkatakrishnan Vaidyanathan

The World Trade Organization reached its first ever truly Global trade reform deal on Saturday ,the 7th of December ,2013 after approval from nearly 159 ministers who had gathered on the Indonesian island of Bali. This was a result of the hectic round of Negotiations that stretched over five days to ultimately decide on the make-or-break agreement. The Financial Implications of this deal are enormous and could add as much as $1 trillion to the global economy and ultimately aiding the Global Recovery!
Let us understand what exactly was the Background of the Deal , the Negotiations that ensued, the Stumbling Blocks and what the Future holds for WTO and the Global Trade.

The Backdrop

WTO-an organization of 157 countries officially commenced on 1st January 1995 under the Marrakech Agreement replacing the erstwhile GATT (General Agreement on Trade and Tariffs. It primarily deals with providing a Framework for negotiating International Trade agreements and resolution of disputes by the Signatories of the Agreement. The Ministerial Conferences held every Two years is the Highest Decision Making Body of WTO and takes Decisions on Multilateral Agreements.

The Doha Round –Agreement and Disagreement

Of all the Ministerial Conferences- Singapore, Geneva ,Hongkong and Cancun, the fourth ministerial conference called The Doha Development Round, held at Doha, Qatar in November 2001 ,is the most famous and the most controversial round .

This round was to be an ambitious effort to make globalization more inclusive and help the world's poor, by slashing barriers and subsidies in farming. It comprised both further trade liberalization and new rule-making, supported by commitments to strengthen substantial assistance to developing countries. Disagreements continue to exist over several key areas including agriculture subsidies making the negotiations highly contentious .The round did not make much progress and almost collapsed in 2008 followed by further failed attempts at Geneva in 2009 and 2011.

The complexity of WTO is underlined by the following Two Principles

- **The Decision is by Consensus-Everyone has to Agree**
- **Nothing is Agreed until Everything is Agreed-referred to as the “Single Undertaking”**

The major disagreement has been between the Developed nations like the US, EU on one side and the Developing Nations Block led by India and other emerging economies.

The Bali Round-The Expectations

The Bali Conference aims to converge on the following three deliverables:

- Trade facilitation

- Food security

- Development dimension.

The trade facilitation as a Core Deliverable at the Bali Conference is being pursued by developed nations like US and EU. These countries essentially have a large export interest.

The G33 group of nations has put forward various proposals on food security that includes stock holding and food aid. This proposal is critical for countries like India, China and Philippines that support this view and have food security schemes for the poor.

The third element is development, which includes LDC (Least Developed Countries) specific issues like tariff, duty and quota free access to market, operationalization of service waivers, preferred rules of origin with agriculture has to remain at the centre of discussion.

Developing countries do not have the wherewithal to invest in infrastructure or technology without raising resources and commitments have to be made to look at funding mechanisms for such investments.

Why success at Bali is important?

The failure to conclude the Doha round after more than a decade of negotiations from 2001 to 2013 has had its biggest impact on the private sector and other key stakeholders. There has seems to be a growing disillusionment and disenchantment about the utility of the multilateral trading system.

It has been recently observed that the private sector both in developed and developing countries has shown greater preference for Free Trade Agreements, Mega trade agreements Trans Pacific and Trans Atlantic agreements. This would ultimately undermine the relevance of WTO as a Global trade Union.

The Climax

The fourth ministerial conference at the Indonesian island of Bali finally agreed to the deal .This was clearly evident from the jubilant words of Indonesian foreign minister-“We did It!”. The approval came after Cuba dropped a last-minute threat to veto the package of measures but finally agreed to a compromise with US. India and US held hectic consultations with India not allowing a compromise in the Food Subsidy Issue.

It also provides for a ‘Peace Clause’ that includes a Four year relaxation on a rule that limits farm subsidies to 10% of the total output. This will greatly help the incumbent Indian Government proclaiming itself to be the Champion of the Poor and Developing Countries of the World.

It is indeed a Milestone for the World as the First Trade Agreement and set a precedent for the future rounds to make Doha round a Success.

The Dark Side of Going Public

- By Rakesh Pathak

Last week's one of the biggest news was Twitter's blockbuster IPO (ticker symbol TWTR). By issuing this IPO, Twitter has gone public. First, let us see what is meant by IPO and going public. IPO means Initial Public Offering. It is basically a company's first equity issue made available to the public i.e. the first sale of stock by a private company to the public. So by issuing an IPO, a private company goes public. A company goes public for getting capital to expand, facilitating acquisitions, creating multiple financing opportunities etc.

By looking at Twitter's scintillating IPO, many entrepreneurs would be thinking of issuing IPO, going public and enhancing the business with an abundance of money that they are going to receive by issuing IPO, but wait and think again. Is it all advantageous to go public?

Every coin has two sides. Twitter's IPO shows us the positive and glamorous side but there is another side too. Let us have a look at it.

Liquidity

Suppose you are a company who is ready to issue an IPO in the hope of receiving an enormous amount of money. You might think that going public is a nice and fast way to raise a great amount of cash. It is actually not that easy. Most of the assets you gain from an IPO will be in company shares. It is very difficult to sell these shares and generally there is a limit to how many you can sell. So, while going public surely bring in a lot of cash or capital for the business, it won't very easily or quickly provide you with a lot of usable money.

Also, extracting cash from assets of a public company can become very tedious and a bureaucratic process. So, to raise liquidity it may be better to focus on the ongoing business and nurturing it instead of going public.

Entrepreneurship

Another thing is, when you issue an IPO, what happens? You go public from being private. And what does this actually mean? It means you have actually lost your status of being an entrepreneur because you are no longer the sole decision maker of your company; shareholders will also have their voice. You have to take care of the shareholder's interest too while taking decisions.

Entrepreneurship means creativity and innovation. Entrepreneurs spend their time in creating new ideas, developing them, making innovation to grow the business. But once you go public, it may happen that you are stuck in bureaucracy and responding to your shareholders. Your valuable time might be spent in senior management.

This maybe the case mostly with a younger company and hence for them, the plan of going public can backfire.

Status

It is somewhat prestigious to have the company you founded listed on a stock exchange. By going public you may want to show people how successful you have become. Having your company's name in stock market listed companies instead of just in few peoples' phonebook can make you feel proud. But this status has a prise to pay too.

By staying private you would have no board of directors, no public accountants, no compensation committee, no analysts, no audit committee and no securities lawyers. It would be just you and your trusted team that has belief in you as a leader. But by going public, you will get a lot of tedious procedures and hassles that you have to obey for being listed publicly. You will need an audit committee, public accountants, securities lawyers etc.

Freedom

When you were an entrepreneur, you were a private company, all the data of your company remained within your company. By staying private, you were the only leader; every major decision has to go through you and you alone are able to select the roadmap your business will follow. By going public you lose the decision making power.

You have to have data audited and show it to the public. There will be a lot of interference in each decision you take, you have to follow lot of legality, and have to disclose financial data and business information. Not only this, but as all this data is public, it can be used and accessed easily by competitors. You will give away the control, the freedom by going public and inherit a lot of hassles.

Thus, though there are definitely positive points of going public and being a listed company, there are a few negative aspects too that a company will have to look at before going public. For a small venture or a young company, these can be a nightmare if they cannot handle the problems listed above and it might happen that the company might have to be sold.

A proper planning, thinking, ability to tackle these problems might be there with a big shot company but for a small venture it might create havoc. Hence focusing on growth and innovation can be a good idea for such companies instead of going public at a very early stage.

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