

CRISIL YOUNG THOUGHT LEADER 2009

A DISSERTATION ON

Is Asia becoming an engine of global growth?

By:

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Table Of Abbreviations

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
GDP	Gross Domestic Product
PPP	Purchasing Power Parity
IMF	International Monetary Fund
NIE	Newly Industrialized Economies
WW	World War
OPEC	Organization of the Petroleum Exporting Countries
POL	Petrol, Oil and Lubricants
U.S.	United States
RMB	Renminbi
WTO	World Trade Organization
G3	US, Euro zone, Japan
G7	Group of Seven advanced economies
G20	Group of 20
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
SEZ	Special Economic Zone
PEST	Political, Economical, Social and Technological
ASEAN+3	ASEAN plus People's Republic of China, Japan, and Republic of Korea
ASEAN-4	Indonesia, Malaysia, Philippines, Thailand
PRC	People's Republic of China

Table Of Contents

S. NO.	TOPIC	PAGE NUMBER
1	Executive Summary	4
2	Asia	5
3	Economy of Asia	5 – 6
4	Recession and Its Impact on Asia	7
5	China's Place in the World	8 – 9
6	Asia's Growth Drivers	10 – 12
7	The Power Shift	13 – 14
8	Asia Tomorrow	14
9	References	15
10	Appendices	16 – 20
11	Author's Profile	21

Executive Summary

The U.S. functioned as an engine of growth until the financial crisis. Now, U.S. imports have plummeted. This paper considers whether the economic power is shifting from West to East. The results indicate that Asia is an engine for global growth, especially China and India. The paper reflects the various growth drivers of Asian economy and how the power is shifting from the West to the East.

For more than two decades, American leaders have paid lip service in various ways to the rise of Asia, saying the global centre of gravity is shifting eastward, that this will be “the Pacific century.” As time has passed and the region has ballooned as a source of trade and investment, however, Asia and the Pacific have not received an appropriate share of time and attention from the American leaders. Since 2001, U.S. have been preoccupied with terrorism and listened too little to the concerns of our Asian partners.

The increase in income in Asian countries would cause large increase in imports. The currency appreciation will further trigger the imports in Asian countries. If domestic markets rather than exports could drive job creation in Asia, not only would Asian consumers enjoy the fruits of their labor but the world economy would have a new locomotive to pull it out of recession.

The United States is likely to remain an economic and security power without an equal in the region for the next few decades, but “rising Asia,” especially China and India (with Japan not to be forgotten), will be larger factors in the region’s balance of power politics as the decades pass. The paper discusses how the power is shifting from the West to the East and the main growth drivers of Asian economy.

Asia

Asia is the world's largest and most populous continent. Asia constitutes of 47 countries of the world. It covers 8.6% of the earth's total surface area. It contains almost 4 billion people which 60% of the world's current human population. The wealth of Asia differs widely between and within each region due to diverse culture, environment, historical ties and government regulations. In terms of nominal GDP, Japan has the largest economy on the continent and second largest in the world. In terms of PPP, however, China has the largest economy in Asia and second largest in the world ^[1]. Asia's GDP (PPP) is US\$ 18 trillion whereas GDP (Currency) is US\$ 8.78 trillion. GDP per capita (PPP) is US\$ 4,518 and GDP per capita (Currency) is US\$ 2,143.

In the late 1990s and early 2000s, the economies of the PRC ^[2] and India have been growing rapidly, both with an average annual growth rate of more than 8%. During the 1st millennium, India had the largest GDP at approximately 30% of the global GDP. Japan has had for only several decades after WW2 the largest economy in Asia and second-largest of any single nation in the world, after surpassing the Soviet Union (measured in net material product) in 1986 and Germany in 1968. In 1995, Japan's economy nearly equaled that of the USA to tie as the largest economy in the world for a day, after the Japanese currency reached a record high of 79 yen/dollar.

Economy of Asia

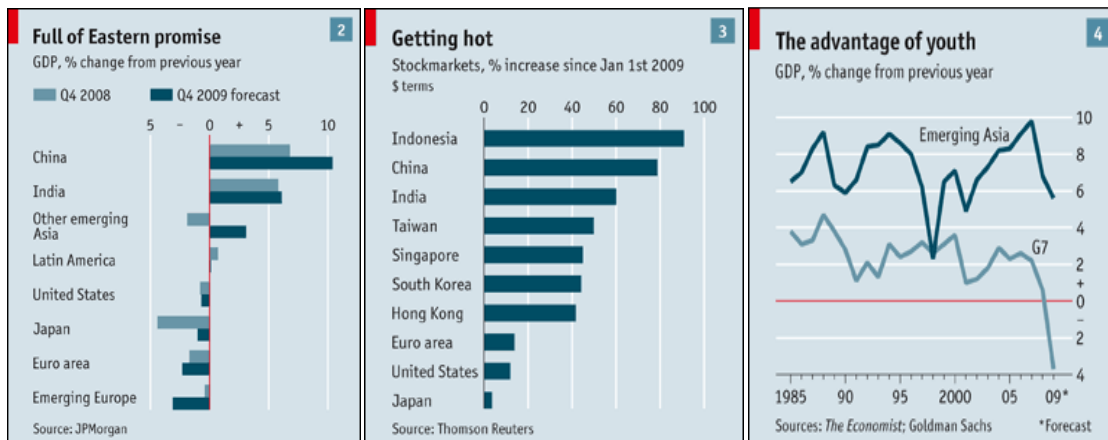


Figure – A

Figure – B

Figure – C

Figure 1: Regional GDP Growth¹—Emerging East Asia² (y-o-y, %)

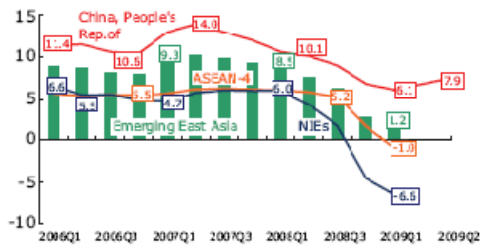


Figure 7a: Domestic Demand Growth—NIEs (y-o-y, %)

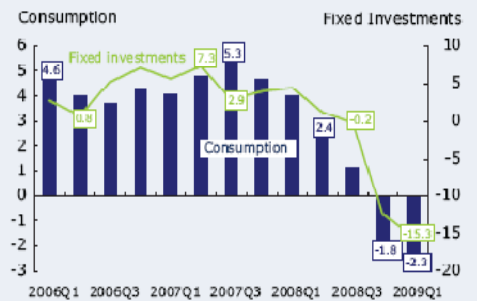


Figure 9a: GDP Growth during Crisis Periods—NIEs¹ (quarterly, % change)

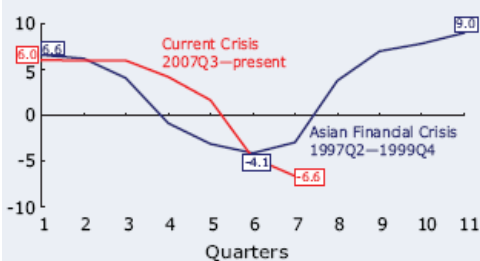
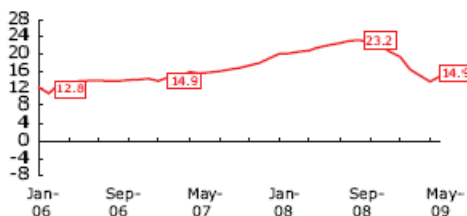


Figure 10: Fixed Asset Investment and Exports¹—PRC (y-c-y growth, %)



Figure 11: Retail Sales Growth¹—PRC (y-o-y, %)



Economic growth in emerging Asia dropped sharply in the first quarter of 2009. The region's four highly-open, NIEs - the most sensitive to plummeting external demand and global recession contracted by 6.6%. Countering these slowdowns, however, was continued expansion in the PRC, where GDP grew 6.1% in the first quarter. In the second quarter, PRC's growth increased to 7.9% while early estimates show that Singapore's economic contraction moderated to -3.7%. The collapse in external demand hurt economic growth across the region. Domestic investment and consumption declined in the NIEs and ASEAN-4, while they held up well in the PRC, in part, due to the sizable fiscal stimulus. The NIEs were particularly hard hit, with investment falling 15.3% in the first quarter of 2009. Growth in ASEAN-4 economies also slowed due to falling exports and weakness in domestic demand, though the extent of the slowdown was less than among the NIEs. The smaller ASEAN economies performed better than their larger ASEAN partners as they are less dependent on external demand. Growth slowed in the PRC as well, yet the huge fiscal stimulus helped cushion a massive decline in exports and enabled the country to maintain robust growth. The slowdown in growth, coupled with lower oil and food prices, contributed to a continued decline in inflation across the region. PRC prices deflated by a monthly average of about 1.5%, continuing their decline from the 8.7% inflation reached in early 2008.

Recession and Its Impact on Asia

The prognosis for Asia's financial sector in 2009 is relatively better compared to other emerging economies and also compared to the region's own experience in 1997-98. Even so, further GDP contractions and asset market corrections are likely as the external environment continues to deteriorate and domestic demand falters.

Asia is far from the epicentre of the crisis, not just geographically but also in the sense that it did not indulge in the financial practices that led to serious problems in advanced economies' banking systems. Moreover, before the crisis the region was in sound macroeconomic shape, and thus in a strong position to resist the pressures emanating from advanced economies. Asia relies heavily on technologically sophisticated manufacturing exports, products for which demand has collapsed. At the same time, Asia's financial ties with the rest of the world have deepened over the past decade, exposing the region to the forces of global deleveraging. Looking ahead, Asia's growth path will continue to run parallel to the global economy. Asian economies do have fewer mismatches in external debt, lower imbalances in the government, corporate and banking sector balance sheets than their counterparts in emerging Europe, and as a whole used less leverage. Fortunately, ample foreign exchange reserves held by most countries in the region - even before the introduction of Fed swap lines and the IMF's short-term liquidity facility - fully cover short-term debt and minimize the threat of a financial crisis. Intra-Asia swap agreements are helping provide liquidity to Asian countries with less ample reserves.^[3]

However, given the exposure of Asian economies to exports and to global liquidity, Asia is unlikely to lead the global economic recovery, being reliant instead on resumption of demand from the US. Even so, solid macro fundamentals and a greater capacity to take fiscal and monetary measures will help Asian emerging economies recover faster and stronger, as compared to others. Those countries able to take on more aggressive fiscal and monetary responses, will outperform - but some of the recent responses including those of China risk exacerbating, not reducing overcapacities and domestic imbalances. For the rest of 2009, the external shock is expected to continue to spill over into private investment and consumption, causing many countries to register negative growth rates. Then, as the global economy revives in 2010, so too will Asia.

China's Place In The World

Table 1 shows the balance of payments of U.S. It can be inferred from that the U.S current account deficit and the net unilateral current transfers decreased from US\$ 98.8 billion in the second quarter of 2009. The decrease was more than accounted for by a decrease in the deficit on goods. A small increase in the surplus on services also contributed to the lower current account deficit. An increase in the net unilateral current transfers to foreigners and a decrease in the surplus on income were partly offsetting^[4]. Table 2 displays the balance of payment of China in 2008. The statistics reveal that the current account and the capital and financial account posted a 'twin surplus' and international reserves maintained a growing momentum. China's surplus in current account is US\$ 426.1 billion which is a 15% increase from last year. Deficit in services is around US\$ 11.8 billion. China's surplus under capital and financial account is around US\$ 19 billion which is a 74% decrease from last year. The net inflows of direct and portfolio investment is around US\$ 135 billion, whereas the net outflows reached US\$ 121 billion^[5].

China's international reserves are continuing to grow. At the end of September 2009, China registered a total of US\$ 2.3 trillion^[6] in foreign exchange.

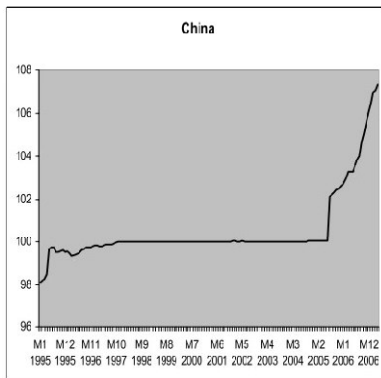


Figure – 1

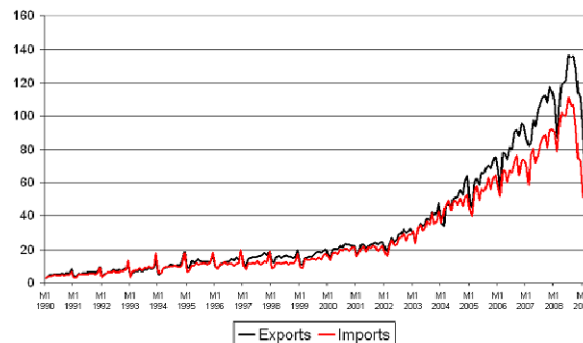


Figure - 2

The mercantilists of old felt the wealth and strength of a nation took precedence over the wealth and well being of an individual of that state. They believed that nothing could provide for the strength of the state as much as massive amounts of precious metals. To the neo mercantilists the wealth of the nation is the size and strength of its financial markets. China is a neo mercantilist nation. It has surplus balance of trade i.e. exports are greater than imports. China today has the biggest amount of foreign reserve. It can be inferred from figure-2 that China has always tried to maximize exports over imports and from figure-1 it can be

deduced till 2005 the Chinese currency was pegged or fixed with U.S dollars. After 2005, China has a flexible exchange rate system. China does so to maintain their domestic market which has led to high amount of exports, to lower the imports China has very tough import laws, structural barriers to prevent entry of foreign companies into domestic markets, manipulation of the currency value against foreign currencies and limitations on foreign ownership of domestic corporations. China currently has almost US\$ 3 trillion foreign reserves, if China sells the reserves which it has then it shall create a high amount of inflation which will leads to lower imports in U.S and other allied countries. The Chinese goods and services will rise in price and the sustainable competitive advantage that China has will be lost. But now China is forced to move towards an 'open economy' to raise the standard of people and ultimately it has to import product which is deficient in China etc POL. Rise in inflation has not been observed in China because of a very flexible labour market with an excess supply of cheap labour from rural areas, low food prices, high manufacturing productivity growth reducing unit labour costs, price controls on oil, energy and controlled public services, mis-measurement of housing inflation as increasing rent or rental cost of home ownership is not properly measured. To comprehend economic conditions in China, an account of political power must be considered.

The U.S Treasury has criticized China for what it described as the lack of flexibility of the Chinese currency, the Yuan. It also criticized the rapid buildup of China's foreign exchange reserves. The rigidity of the Renminbi and the reacceleration of reserve accumulation are serious concerns which should be corrected to help ensure a stronger, more balanced global economy. The Yuan has depreciated 6.9% against the dollar since February 2009, remains "undervalued". China is keeping its currency at artificially low levels against the dollar to gain advantages in trade. If China had been designated as a currency manipulator, it would trigger negotiations between the two countries and could lead to economic sanctions if the US took a case before the WTO. American manufacturers contend that China's currency is undervalued by 20% to 40% against the dollar, giving the country a huge trade advantage. An undervalued Chinese currency means that Chinese products are cheaper for US consumers and American products cost more in the Chinese market. The US trade deficit with China is its largest with any country. China has said it wants its currency to be internationally convertible but has appeared reluctant to relinquish state control of the currency and economic policy in general.

Asia's Growth Drivers

The major reasons for the rise of Asia in the global economy includes massive infrastructural development like highways, power plants, telecommunication facilities, housing, construction of commercial and retail space as well as industrial estate expansion that generates substantial independent domestic growth momentum.

An expanding consumer market (Table 5):

The substantial expansion in private consumption expenditure is the main engine driving the Asian momentum of growth. With sustained economic growth and rising income and educational levels, the rapid emergence of the middle class in Asia is having significant economic, social and political impact on the region and beyond. The region is no longer merely a low-cost production base. It is becoming a considerable consumer market.

Strategic alliance between Western and Asian firms (Table 8):

This is because a significant number of the East Asian regional conglomerates have been built up behind protective walls of tariff and non-tariff barriers in the past. They have been strong in political networking, which helps gain approval for projects or win concessions, extensive in their regional business links and contacts as well as relationships with suppliers and customers, but weak in technology, brand name, marketing know-how and managerial expertise. Regional conglomerates are increasingly under intense pressure to seek strategic alliances with Western firms to rise up to the new environment of intense regional and global competition. Significant strategic alliances between regional conglomerates and OECD multinationals looking at the expanding regional markets abound.

Expanding business in infrastructural development (Table 3):

As a result of the substantial funding needed for these infrastructural development projects, infrastructural privatization as well as private sector financing have become the key financing features. In this win-win model, private investors achieve attractive rates of returns by participating in the financing and structuring of these infrastructural development projects to accelerate the country's economic development. The government assists by creating a conducive legal and regulatory framework for the private sector to attain an attractive return and to manage the risks of operating power generation and distribution, sea ports and airports, telecommunications, railways, roads and bridges.

Portfolio Investment:

With Asia emerging as a growth centre in the global economy, fund managers from the USA and EU are increasingly looking to the region for asset diversification and higher returns. Over the long term, there is a close relationship between average economic growth rate and total stock market returns (capital + dividends). As US funds move into Asia, they will help to broaden and deepen the market in the region. Being from a more highly regulated and sophisticated home market, these investors will also help to bring Asian stock markets faster into line with international standards for disclosure and force investment practices to be based more on economic fundamentals. More significantly, now that the East Asian business cycle is no longer an adjunct of the US cycle, there is greater scope for geographical diversification. This has important implications, as it implies that the higher rate of returns to capital in the East Asian economy would benefit future US retirees whose pension funds are now increasingly being invested in companies or projects in the region.

Rising intra-regional trade:

Increasingly, the export markets of Asian countries have become less dependent on the USA and EU and more among themselves. Most of the countries in East Asia depended on the USA for 17-23 per cent of their exports while their dependence on other Asian countries (excluding Japan) had risen to 25-51 per cent. Compared to the East Asian countries' dependence level of 20-42 per cent on the US market in 1985, the shift has been significant.

Primary Education Revolution:

Since the mid-nineties, the efforts of the government, NGOs and, most importantly, private, fee-charging schools have sharply increased primary and secondary school enrolment rates. Schools are now in remote areas. Calculations indicate this will lift the basic literacy rate to over 90% by 2020 especially for India. This, in turn, will make it possible, for the first time, to mobilize and deploy the bulk of Asia's workforce.

Demographic Revolution (Table 6):

As birth rates are declining and the share of working age adults is rising in the population, it will lead to dramatic demographic revolution. Most economists only think about demographic transition in terms of supply of labor, but the experience of the rest of Asia suggests that it causes a simultaneous increase in savings rates. The savings rate has increased from 22% of GDP at the beginning of the decade to around 35% now. It is likely

that it will rise to 40% over the next decade (not inconceivable since China currently has a savings rate of 49% of GDP). In other words, India now has a large, and growing, pool of domestic capital. And it is being supplemented by foreign investment.

Urbanization (Table 7):

So far, India has been a reluctant in urbanizing, with more than 70% of the population still living in villages. The new growth trajectory will need the deployment of large numbers, which implies that a bulk of the workforce will shift away from subsistence agriculture. Capital and labor will be used to build infrastructure, industrial capacity, housing, and so on. As more people leave their farms, the urban population will swell. India needs a vision on how to manage this phenomenon, or else it will cause great social, economic and political disruptions.

REQUIRED REFORMS

New Relationship of Government with the citizens:

The governments have kept a tight grip on capital to direct funds to targets it deemed worthy, whether it is favored enterprises or strategic sectors. Consumption led economies require greater autonomy for the consumer. Asian governments are deeply engaged in social engineering, loosening this grip is critical to creation of domestic demand driven economies.

Government need to put global interest ahead of narrow parochial ones:

Leaders provide public goods, which entail the assumption of responsibilities and costs that sometimes go against a narrowly defined national interest. The desire to engage in social engineering is problematic when it comes to economic leadership. In this arena, rules are made to maximize the group's welfare, not just that of an individual nation. Yet a government's pursuit of particular social outcomes means that economic rationality isn't necessarily guiding its decision making; politics usually is. Narrow conception of national interest means that it is less likely to press for solutions that fit other countries' needs.

Spread 'Green Mentality':

While human dignity and equality demand that millions - if not billions - more individuals should enjoy future prosperity, transplanting the Western model of consumption to Asia would be a disaster. Asia's growing middle class should not be deprived of the hard-won fruits of their success, but those societies should not emulate the West. Manufacturers need to develop production models that use resources more efficiently.

The Power Shift

Asia's emerging economies are bouncing back much more strongly than any others. While America's industrial production continued to slide, output in emerging Asia has regained its pre-crisis level. This is largely due to China; but although production in the region's smaller economies is still well down on a year ago, it is rebounding in those countries too. Meanwhile, export markets in developed economies are likely to remain weak. So the recovery in Asian economies will stumble unless domestic spending, notably consumption, perks up.

Every country, of course, has unique challenges and spending patterns. 'Consumers' appetite to spend varies hugely across the region. One reason is that about 50 million people who were on the verge of becoming part of the lower middle class have been plunged back into 'absolute poverty'. Some regions consumer spending is growing impressively. In China, India and Indonesia spending has increased by annual rates of more than 5% during the global downturn. China's retail sales have soared by 15% over the past year. This overstates the true growth rate because it includes government purchases, but official household surveys suggest that real spending is growing at a still-impressive rate of 9%. Sales of household electronics were up by 12%, clothing by 22% and cars by a stunning 47%. Elsewhere in the region, spending has stumbled, squeezed by higher unemployment and lower wages. In Hong Kong, Singapore and South Korea real consumer spending was 4-5% lower in the first quarter than a year earlier, a much bigger drop than in America. During the past five years consumer spending in emerging Asia has grown by an annual average of 6.5%, much faster than in any other part of the world.

It is true that consumption has fallen as a share of GDP, but that is because investment and exports have grown even faster, not because spending has been weak. Relative to American consumer spending, Asian consumption has soared. In most Asian economies, private consumption is 50-60% of GDP, which is not out of line with rates in countries at similar levels of income elsewhere. Private consumption there fell from 46% of GDP in 2000 to only 35% last year—half that in America. In dollar terms, spending is only one-sixth of that in America (Singapore's consumption is also low, at just under 40% of GDP).

This explains why China's government has recently taken bolder action than others to boost consumption. The government in Beijing has introduced a host of incentives to encourage households to open their wallets. Rural residents get subsidies for buying vehicles and other goods such as televisions, refrigerators, computers and mobile phones; urban residents get a

subsidy if they trade in cars and home appliances for new goods; tax rates on low-emission cars have also been cut. There is huge potential for higher consumption in the countryside as incomes rise: only 30% of rural households have a refrigerator, for example, compared with virtually all urban households.

A bigger test of Asian governments' resolve to shift the balance of growth from exports towards domestic spending is whether they will allow their exchange rates to rise. A revaluation would lift consumers' real purchasing power and give firms reason to shift resources towards producing for the domestic market. But so far, policymakers have been reluctant to let currencies rise too fast. Asian spending is already an important engine of global growth. Even before the crisis, emerging Asia's consumer spending contributed slightly more (in absolute dollar terms) to the growth in global demand than did America's. But it could be even bigger if Asians enjoyed the full fruits of their hard labor, rather than subsidizing Western consumers through undervalued currencies. It is time for an even greater shift in spending power from the West to the East.

The world's poorest nations need to enhance productivity and capacity to cope with risks. Part of that increased capacity must include the diversification of national economies. Commodity prices, with the exception of oil, are in the dumps and nations dependent on high commodity prices are suffering. Zambia is a good example of a bad situation. Both economic diversification and increased regional trade can help mitigate the effects of fluctuating commodity prices. Like Asian nations, African nations need to become less dependent on exports (in their case, commodity exports) and they need to encourage more local consumerism. This can't happen without a good strategy for economic diversification. Even with a good strategy, most African countries are decades away from achieving sustainable economies. Asia, however, is much more likely to diversify and as a result will drive global economic growth over the next few years.

Asia Tomorrow

It is very clear that India and China has emerged to be very strong economies, but at this point of time it is not possible to say that Asia will be the main driver for global growth and the power will shift entirely from the West to the East. But it can be concluded that if Asia improves the PESTLE forces and the various drawbacks like corruption, pollution, unemployment etc, then definitely in the coming decade it can lead to shift in power from the West to the East with India and China as the main drivers of the global economic growth.

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Appendices

Table - 1

Table 1. U.S. International Transactions
(Millions of dollars, quarters seasonally adjusted)

(Credits +, debits -)	2009	2008				2007		Change 2009 ¹
		I	II	III	IV	I*	II*	
Current account								
1 Exports of goods and services and income receipts	2,281,232	521,217	571,889	672,252	281,747	297,222	295,825	-5,718
2 Exports of goods and services	1,628,596	451,290	473,090	479,084	424,151	372,251	367,819	-4,365
3 Goods, balance of payments basis	1,278,894	315,627	332,678	337,812	290,969	248,374	248,134	-3,242
4 Services	349,702	135,663	140,412	141,272	133,182	123,877	121,682	-1,145
5 Transfers under U.S. military agency sales contracts	22,571	6,228	5,821	5,226	5,421	5,421	5,895	-629
6 Travel	110,090	27,072	28,036	28,836	26,178	23,481	22,470	-1,015
7 Passenger fares	37,825	7,822	7,853	7,854	7,566	7,148	6,527	-629
8 Other transportation	72,265	19,250	20,183	20,982	18,612	16,333	15,943	-386
9 Royalties and license fees	81,599	22,622	22,212	23,069	22,665	19,997	18,991	-6
10 Other private services	223,528	57,369	58,224	59,443	59,021	55,685	55,891	228
11 U.S. government miscellaneous services	1,345	294	321	321	328	312	319	7
12 Income receipts	704,637	322,927	398,790	485,319	487,060	535,352	533,019	-2,333
13 Income receipts on U.S.-owned assets abroad	381,593	232,162	298,029	394,554	393,947	434,611	432,282	-2,329
14 Direct investment receipts	273,747	96,428	105,228	131,347	127,726	132,188	129,228	-2,961
15 Other private receipts	208,846	135,734	192,791	263,167	266,221	302,164	303,054	-7,887
16 U.S. government receipts	4,908	713	733	1,211	2,147	2,448	1,740	-1,368
17 Compensation of employees	3,544	754	787	782	749	741	737	-4
18 Imports of goods and services and income payments	-2,188,820	-529,192	-528,428	-522,296	-715,098	-521,658	-527,471	15,298
19 Imports of goods and services	-2,022,532	-523,942	-525,937	-524,006	-589,848	-494,604	-450,821	13,790
20 Goods, balance of payments basis	-2,117,245	-534,482	-524,372	-524,002	-629,369	-373,411	-361,521	11,790
21 Services	-805,287	-96,451	-101,585	-105,004	-99,257	-91,189	-89,200	1,989
22 Direct defense expenditures	-28,452	-6,718	-6,899	-6,794	-6,913	-6,454	-6,228	-175
23 Travel	-79,743	-20,225	-20,124	-19,848	-19,551	-18,554	-17,580	966
24 Passenger fares	-32,557	-7,888	-8,024	-8,343	-8,327	-8,579	-8,322	267
25 Other transportation	-47,186	-12,337	-12,100	-11,505	-11,224	-10,975	-9,258	1,238
26 Royalties and license fees	-28,818	-6,427	-6,527	-7,644	-7,687	-7,687	-7,689	-2
27 Other private services	-453,287	-37,122	-38,315	-39,351	-39,498	-36,521	-37,574	-523
28 U.S. government miscellaneous services	-4,669	-1,062	-1,242	-1,156	-1,164	-1,120	-1,190	-61
29 Income payments	-448,406	-189,241	-172,521	-185,194	-180,450	-177,051	-178,581	470
30 Income payments on foreign-owned assets in the United States	-228,042	-103,862	-108,961	-109,818	-143,823	-114,521	-114,585	415
31 Direct investment payments	-122,952	-27,298	-30,071	-29,256	-24,473	-11,972	-20,228	-8,956
32 Other private payments	-248,871	-84,418	-82,081	-89,504	-79,256	-66,039	-66,747	7,281
33 U.S. government payments	-185,310	-41,967	-42,519	-41,364	-39,460	-36,488	-34,712	1,761
34 Compensation of employees	-10,364	-2,582	-2,571	-2,576	-2,827	-2,550	-2,490	64
35 Unilateral current transfers, net	-124,292	-30,222	-31,157	-32,221	-31,527	-30,283	-30,225	-1,022
36 U.S. government grants	-29,823	-10,228	-10,228	-10,228	-10,228	-10,228	-10,228	-1,022
37 U.S. government pensions and other transfers	-94,469	-20,000	-20,929	-22,000	-21,300	-20,055	-20,000	20
38 Private transfers and other transfers	-19,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	0

(Credits +, debits -)	2009	2008				2007		Change 2009 ¹
		I	II	III	IV	I*	II*	
Capital account								
39 Capital account transactions, net	953	-637	-482	2,867	-995	-719	-932	17
Financial account								
40 U.S.-owned assets abroad, excluding financial derivatives (increase/financial outflow (-))	-168	-351,361	507,343	38,323	144,736	94,734	41,582	-52,966
41 U.S. official reserve assets	-5,988	-278	1,287	-1,178	-3,128	-962	-2,622	-2,650
42 Gold	0	0	0	0	0	0	0	0
43 Special drawing rights	-100	-24	-22	-26	-25	-19	-46	-1
44 Reserve position in the International Monetary Fund	-3,473	114	-655	258	-2,988	-354	-3,486	-2,751
45 Foreign currencies	-1,269	-358	-389	-436	-436	-213	-436	74
46 U.S. private assets, other than official reserve assets	-624,815	3,288	-41,542	-235,997	-285,293	-244,102	192,832	-80,242
47 U.S. claims on other long-term assets	-2,202	-174	-129	-442	-442	-242	-1,736	-1,736
48 Repurchase in U.S. credits and other long-term assets	2,202	184	481	885	872	489	471	-12
49 U.S. foreign currency holdings and U.S. short-term assets	-624,796	2,967	-40,883	-236,217	-285,523	-243,859	195,240	-48,518
50 U.S. private assets	624,357	-354,480	-158,252	285,496	283,152	-148,287	-148,289	32
51 Direct investment	-232,212	-86,782	-102,619	54,115	68,456	-40,282	-44,891	-4,699
52 Foreign securities	62,791	-47,672	-42,589	78,182	70,915	-36,221	-42,436	-56,226
53 U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	372,224	118,222	64,934	87,352	113,734	17,477	22,382	5,966
54 U.S. claims reported by U.S. banks and securities brokers	423,379	-233,060	-226,481	143,029	263,962	-86,421	-34,396	55,021
55 Foreign-owned assets in the United States, excluding financial derivatives (increase/financial inflow (+))	524,371	426,028	2,893	117,897	-11,898	-67,727	16,282	84,156
56 Foreign official assets in the United States	487,321	338,649	178,629	115,573	-16,024	70,882	124,899	54,297
57 U.S. government securities	542,498	185,228	198,285	105,820	82,974	118,553	122,442	1,878
58 U.S. Treasury securities	477,852	130,008	76,229	118,479	179,948	118,269	122,442	5,188
59 Other	65,446	79,224	92,146	-12,658	-65,974	256	-3,062	-3,306
60 Other U.S. government liabilities	9,828	1,642	2,424	1,862	2,966	3,724	1,826	-915
61 U.S. liabilities reported by U.S. banks and securities brokers	-152,443	-24,213	-29,847	8,797	-129,372	-12,591	-501	51,246
62 Other foreign official assets	88,340	45,913	36,719	-1,786	7,472	1,498	3,142	1,944
63 Other private assets in the United States	47,356	317,412	-176,623	2,324	4,136	-136,644	-126,596	23,052
64 Direct investment	318,737	56,473	100,730	82,755	80,803	23,551	28,131	2,280
65 U.S. Treasury securities	198,819	15,127	18,947	83,049	81,496	52,718	22,740	-79,456
66 U.S. securities other than U.S. Treasury securities	-128,737	-15,174	18,883	-102,812	-29,029	-55,962	14,773	72,192
67 U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	29,187	4,782	229	5,885	29,862	11,818	-1,826	-12,721
68 U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	-45,167	75,211	-64,880	78,482	-139,924	-6,270	20,190	28,430
69 U.S. liabilities reported by U.S. banks and securities brokers	-328,598	80,523	-261,843	-123,258	-35,171	-183,770	-144,291	19,379
70 Financial derivatives, net	-29,965	-7,669	-2,252	-6,872	-16,566	8,447	n.a.	n.a.
71 Statistical discrepancy (sum of above items with sign reversed)	288,855	13,244	81,419	28,887	87,226	86,777	41,227	¹ -28,556
Main accounts								
72 Balance on goods (lines 2 and 20)	-642,252	-216,948	-221,444	-221,090	-179,620	-124,624	-115,487	9,544
73 Balance on services (lines 4 and 21)	144,314	35,192	35,649	35,140	34,326	31,423	32,462	854
74 Balance on goods and services (lines 2 and 19)	-497,938	-181,756	-185,795	-185,950	-145,294	-93,201	-83,025	9,494
75 Balance on income (lines 12 and 29)	118,231	36,989	29,274	34,125	21,145	16,267	16,429	-1,962
76 Unilateral current transfers, net (line 35)	-129,293	-33,232	-31,147	-32,281	-31,527	-30,243	-32,236	-1,982
77 Balance on current account (lines 1, 18, and 25 or lines 24, 25, and 76)	-728,388	-179,256	-182,719	-182,719	-184,170	-154,975	-154,452	-66,742

¹ The statistical discrepancy in this column cannot be calculated as the sum of above items with sign reversed because financial derivatives, net (line 70) are not available.
p Preliminary
r Revised
n.a. Not available

Table 2

US dollars (thousands)				
Items	Line	Balance	Credit	Debit
I. Current Account	1	426,107,395	1,725,893,261	1,299,785,866
A. Goods and Services	2	348,870,456	1,581,713,188	1,232,842,732
a. Goods	3	360,682,094	1,434,601,241	1,073,919,146
b. Services	4	-11,811,638	147,111,948	158,923,586
1. Transportation	5	-11,911,179	38,417,556	50,328,735
2. Travel	6	4,686,000	40,843,000	36,157,000
3. Communication Services	7	59,585	1,569,663	1,510,079
4. Construction Services	8	5,965,493	10,328,506	4,363,013
5. Insurance Services	9	-11,360,128	1,382,716	12,742,844
6. Financial Services	10	-250,884	314,731	565,615
7. Computer and Information Services	11	3,086,931	6,252,062	3,165,131
8. Royalties and Licensing Fees	12	-9,748,930	570,536	10,319,466
9. Consulting Services	13	4,605,315	18,140,866	13,535,551
10. Advertising and Public Opinion Polling	14	261,668	2,202,324	1,940,656
11. Audio-visual and Related Services	15	163,322	417,943	254,622
12. Other Business Services	16	2,885,059	26,005,857	23,120,798
13. Government Services, n.i.e.	17	-253,890	666,187	920,076
B. Income	18	31,437,960	91,614,872	60,176,912
1. Compensation of Employees	19	6,400,156	9,136,547	2,736,391
2. Investment Income	20	25,037,804	82,478,325	57,440,521
C. Current Transfers	21	45,798,979	52,565,201	6,766,222
1. General Government	22	-181,611	49,205	230,816
2. Other Sectors	23	45,980,590	52,515,996	6,535,406
II. Capital and Financial Account	24	18,964,877	769,876,094	750,911,218
A. Capital Account	25	3,051,448	3,319,886	268,439
B. Financial Account	26	15,913,429	766,556,208	750,642,779
1. Direct Investment	27	94,320,092	163,053,964	68,733,872
1.1 Abroad	28	-53,470,972	2,175,785	55,646,757
1.2 In China	29	147,791,064	160,878,179	13,087,115
2. Portfolio Investment	30	42,660,063	67,708,045	25,047,982
2.1 Assets	31	32,749,936	57,672,404	24,922,468
2.1.1 Equity Securities	32	-1,117,368	3,844,800	4,962,168
2.1.2 Debt Securities	33	33,867,304	53,827,604	19,960,300
2.1.2.1 Bonds and Notes	34	37,563,103	53,827,604	16,264,501
2.1.2.2 Money Market Instruments	35	-3,695,799	0	3,695,799
2.2 Liabilities	36	9,910,127	10,035,641	125,514
2.2.1 Equity Securities	37	8,721,011	8,721,011	0
2.2.2 Debt Securities	38	1,189,116	1,314,630	125,514

2.2.2.1 Bonds and Notes	39	1,189,116	1,314,630	125,514
2.2.2.2 Money Market Instruments	40	0	0	0
3. Other Investment	41	-121,066,726	535,794,199	656,860,925
3.1 Assets	42	-106,074,263	32,563,248	138,637,510
3.1.1 Trade Credits	43	5,866,953	5,866,953	0
Long-term	44	410,687	410,687	0
Short-term	45	5,456,266	5,456,266	0
3.1.2 Loans	46	-18,501,123	478,305	18,979,428
Long-term	47	-6,569,000	0	6,569,000
Short-term	48	-11,932,123	478,305	12,410,428
3.1.3 Currency and Deposits	49	-33,528,165	17,715,954	51,244,120
3.1.4 Other Assets	50	-59,911,928	8,502,035	68,413,963
Long-term	51	0	0	0
Short-term	52	-59,911,928	8,502,035	68,413,963
3.2 Liabilities	53	-14,992,463	503,230,952	518,223,415
3.2.1 Trade Credits	54	-19,049,071	0	19,049,071
Long-term	55	-1,333,435	0	1,333,435
Short-term	56	-17,715,636	0	17,715,636
3.2.2 Loans	57	3,620,979	442,835,925	439,214,946
Long-term	58	6,724,078	20,129,387	13,405,309
Short-term	59	-3,103,099	422,706,538	425,809,637
3.2.3 Currency and Deposits	60	2,702,297	59,226,206	56,523,909
3.2.4 Other Liabilities	61	-2,266,668	1,168,821	3,435,489
Long-term	62	-2,236,180	34,976	2,271,156
Short-term	63	-30,488	1,133,845	1,164,333
III. Reserves Assets	64	-418,978,429	0	418,978,429
3.1 Monetary Gold	65	0	0	0
3.2 Special Drawing Rights	66	-7,114	0	7,114
3.3 Reserves Position in the Fund	67	-1,190,315	0	1,190,315
3.4 Foreign Exchange	68	-417,781,000	0	417,781,000
3.5 Other Claims	69	0	0	0
IV. Net Errors and Omissions	70	-26,093,843	0	26,093,843

Table -3

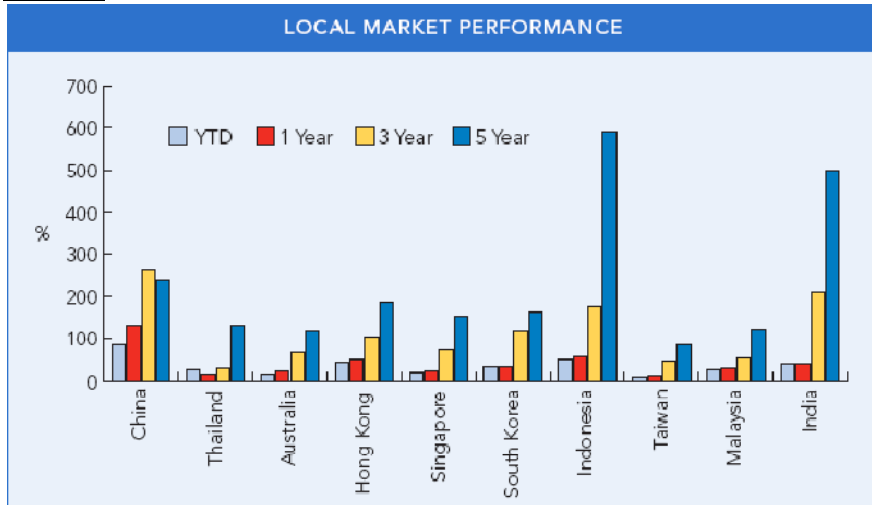


Table -4

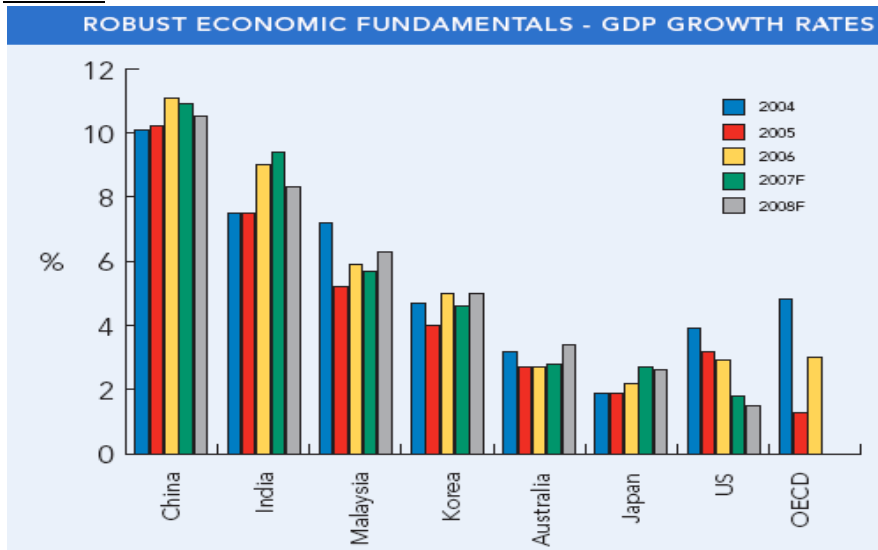


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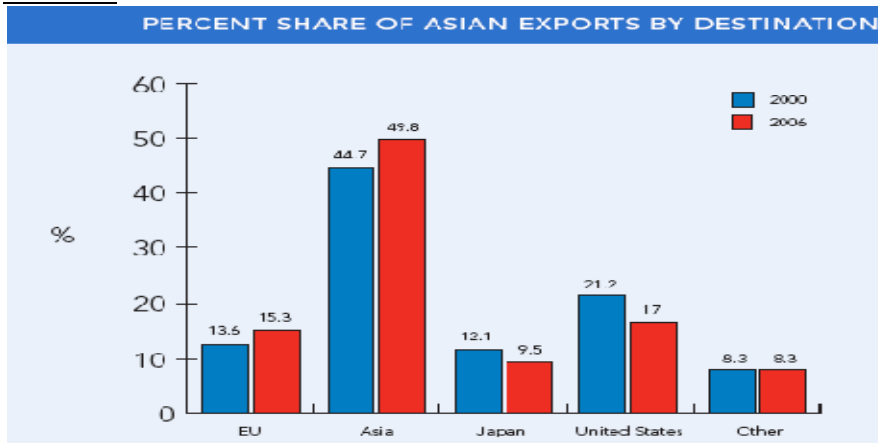


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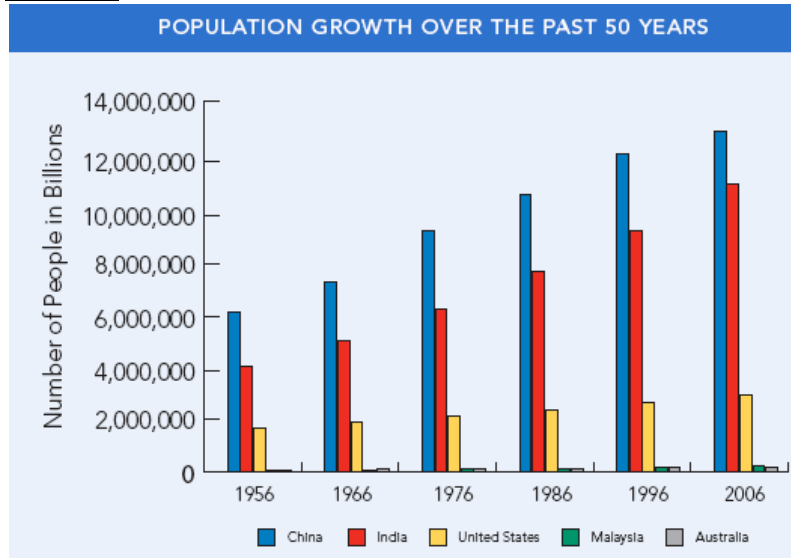


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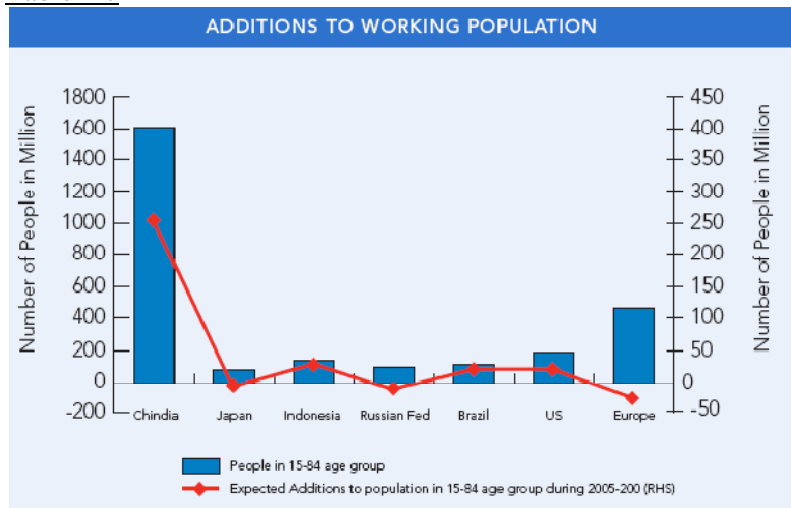


Table – 8



Author's Profile

PERSONAL INFORMATION

NAME: Nikhil Agarwal
DATE OF BIRTH: July 26, 1986.

EDUCATION

YEAR	COURSE	INSTITUTE	DIVISION
2008-10	M.B.A.	Institute of Management and Technology, Dubai, U.A.E.	Pursuing
2005-08	B.B.A.	Institute of Management Sciences, Lucknow, India.	1 st
2005-08	A.A.A.S.P	Arena Animations, Lucknow, India.	1 st
2003-04	ISC	La Martiniere College, Lucknow, India.	1 st
2001-02	ICSE	La Martiniere College, Lucknow, India.	1 st

M.B.A INTERNSHIP

HOME CENTRE, LANDMARK GROUP, DUBAI, U.A.E. (May 09 – June 09)

Project: 'Productivity and Competitors Analysis'

- Analysis of Labor & Space Productivity.
- Gathering information about the retail practices and products of the competitors.
- Analyzing various sales and consumer trends.

MEMBER

- American Marketing Association, U.S.A.
- Business Marketing Association, U.K.
- Advertising Club, Bombay, India.
- Promotion Marketing Association, U.S.A.
- Retail Advertising & Marketing Association, U.S.A.
- Market Research Association, U.S.A.
- Association for Consumer Research, U.S.A.

EXTRA CURRICULAR ACTIVITIES

- President - Students Activity Cell (S.A.C) allowed me to represent the mass of students and act as a channel between the students and the faculty.
- President - Social Service Association in school and college. Worked to improve the quality of living standards for handicapped, street children, destitute and disadvantaged women.
- An Effective Coordinator - Coordinated the Annual College Festival and was responsible for finding the sponsors and funding of the event. .
- A Noted Dancer - Won 2nd prize in Salsa, 3rd in Merengue and a consolation prize in Lambada in an All India Dance Competition.
- Played qualification matches for State level in Snooker.
- Attended National Leadership Conference in Dubai.
- Member of 'Corporate Committee' in College.
- Member of AIESEC and PETA.
- An avid reader, Strong swimmer and a good listener of music.