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India and G-20 Countries

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ABSTRACT

The Group of Twenty (G20) is the combination of 20 largest economies of the world. The prime objective is international economic cooperation, thereby bringing flexible global financial system and mutual support to have balanced, sustainable and inclusive growth among the member economies. This was established in 1999 during the global financial crisis. It is now considered to be the premier forum for international economic cooperation, a position in effect held for decades following World War II by a smaller group of advanced economies .G-20 countries account for about 85% of global economic output, 75% of world exports, and two-thirds of the world's population. India has been doing well on the world stage since Prime Minister Modi came to power in 2014. The G20 Summits have marked continuous growth in India's participation over the years. The PM's speeches have primarily focused on counter-terrorism, infrastructure development, and inclusive economic growth, effectively balancing the world economy with national interests. This paper is based on the data published by World Economic Outlook (IMF) & US Census Bureau

Key words: G20, GDP, PPP, Exports Growth and India

INTRODUCTION

The Group of Twenty (G20) is the combination of 20 largest economies of the world. The prime objective is international economic cooperation, thereby bringing flexible global financial system and mutual support to have balanced, sustainable and inclusive growth among the member economies. This was established in 1999 during the global financial crisis. It is now considered to be the premier forum for international economic cooperation, a position in effect held for decades following World War II by a smaller group of advanced economies .G-20 countries account for about 85% of global economic output, 75% of world exports, and two-thirds of the world's population.

Since World War II, governments have created and used formal international institutions and more informal forums to discuss and coordinate economic policies. As economic integration has increased over the past 30 years, however, international economic policy coordination has become even more active and significant. Globalization may bring economic benefits, but it also means that a country's economy can be affected by the economic policy decisions of other governments. These effects may not always be positive

In India Modi government has made some reforms by introducing GST. This set an aid toIndia's aims of increased financial stability, ease of doing business and a better standing in the world economy. The bilateral interactions with world leaders are also a step forward in improving international relations. The main focus of India is to enhance trade relations and bring foreign investment to the country. Modi hopes to boost the economic relations of India with other countries.The lauding of India's efforts at the G20 Summit is a positive indication that India's rank may be improved this time. This will further strengthen India's role on the world stage.

India has been doing well on the world stage since Prime Minister Modi came to power in 2014. The G20 Summits have marked continuous growth in India's participation over the years. The PM's speeches have primarily focused on counter-terrorism, infrastructure development, and inclusive economic growth, effectively balancing the world economy with national interests. However, despite this renewed focus, India was ranked at 130 in the World Bank's Doing Business Rankings in 2016-17, which was only a one-rank improvement over the previous year. The government, however, hopes for India to reach 90th rank by 2017-18, and 30th by 2020.

This year, it seems, the G20 are in agreement with India on its reform agenda. The Action Plan mentioned the various measures taken by the Indian government to organize the financial sector. It noted the increased prevalence of derivative instruments in electronic trading as well as promotion of External Commercial Borrowings (ECBs) as steps aimed at increasing financial stability and innovation. The Start-up India initiative of Modi was also praised. Labour market reforms

aimed at job security and increasing the proportion of women in the workforce were also appreciated. They are in line with the inclusive growth agenda of G20.

Objectives:

a. To understand the concept G 20
b. To study the population growth, GDP and export growth in India and G 20 countries
c. To study the benefits to India by becoming member of G20.

The following tables explains the population growth, GDP growth, GDP based on PPP and export growth in G20 countries,

Table No.1 population in G 20 countries

Country	Area	Population (Millions)						
Name	(Sq. Km.) 2010	2010	2011	2012	2013	2014	2015	2016
Argentina	2766890	40.79	41.26	41.73	42.20	42.64	43.10	43,60
Australia	7686850	22.17	22.52	22.92	23.30	23.63	24.03	24.28
Brazil	8511965	195.50	197.40	199.24	201.03	202.77	204.45	206.10
Canada	9976140	33.96	34.30	34.70	35.11	35.49	35.80	36.23
China	9596960	1340.91	1347.35	1354.04	1360.72	1367.82	1374.96	1382.71
France	547030	62.77	63.07	63.38	63.65	63.92	64.21	64.60
Germany	357021	81.75	80.33	80.52	80.77	81.10	81.69	82..73
India	3287590	1195.06	1217.44	1243	1259.35	1275.92	1292.71	1346.35
Indonesia	1919440	237.64	241.99	245.43	248.82	252.17	255.46	258.70
Italy	301230	59.19	59.365	59.39	59.69	60.78	60.95	60.67
Japan	377835	128.05	127.90	127.61	127.34	127.06	126.73	126.90

Source: - World Economic Outlook (IMF) & US Census Bureau

The above table reveals the population growth from 2010 to 2016 in the G20 countries. India is the second country having largest population (1346.35million) after china (1382.71 million) in the year 2016. Australia is having least population among G 20 countries (24.28 million). Some 64% of the world's population – 4.7 billion people – lives in one of the 43 countries represented in the G20. In terms of population density, India stands second, behind South Korea (highest density) with number of people living per square km, in case of India, being more than twenty five times of world average. The significance of population of some G-20 countries like India and China is likely to continue in future though the growth rate has already decreased significantly in China and is slowing down in case of India too.

Table No.2 GDP in G 20 countries

Country	GDP Billions (US$)						
	2010	2011	2012	2013	2014	2015	2016
Argentina	461.65	558.68	607.60	622.05	543.06	578.71	545.12
Australia	1,244.97	1,499.95	1,555.26	1,497.22	1,442.72	1,240.80	1258.98
Brazil	2,209.27	2,613.06	2,412.02	2,391.03	2,346.58	1,799.61	1798.62
Canada	1,614.07	1,788.74	1,832.72	1,838.96	1,785.39	1,572.78	1529.22
China	6,039.55	7,492.53	8,461.51	9,490.85	10,356.51	11,384.76	11218.281
France	2,651.77	2,865.30	2,682.90	2,811.13	2,833.69	2,422.65	2463.22
Germany	3,423.47	3,761.14	3,541.58	3,746.49	3,874.44	3,371.00	3466.64
India	1,708.46	1,843.02	1,835.82	1,875.16	2,051.23	2,181.58	2256.40
Indonesia	755.26	892.59	919.00	912.50	888.65	872.62	932.45
Italy	2,130.59	2,280.32	2,076.37	2,137.62	2,147.74	1,819.05	1850.74

Japan	5,498.72	5,908.99	5,957.25	4,919.59	4,602.37	4,116.24	4938.64
Mexico	1,051.13	1,171.19	1,186.60	1,261.86	1,291.06	1,161.48	1046.00
Russia	1,524.92	1,904.79	2,016.11	2,079.02	1,860.60	1,235.86	1522.00
Saudi Arabia	526.81	669.51	733.96	744.34	746.25	632.07	639.13
South Africa	375.30	417.06	397.39	366.24	350.08	317.29	294.13
Republic of Korea	1,094.50	1,202.46	1,222.81	1,305.61	1,410.38	1,392.95	1411.25
Turkey	731.53	774.73	788.61	823.03	798.33	722.22	857.42
United Kingdom	2,407.35	2,593.45	2,623.83	2,678.38	2,950.04	2,864.90	2629.18
USA	14,964.40	15,517.93	16,155.25	16,663.15	17,348.08	17,968.20	18569.10
European Union	16971.15	18337.91	17265.76	17990.89	18527.12	16265.64	16408.36
World	**66338.93**	**72422.52**	**73777.26**	**75467.07**	**77269.17**	**73506.82**	**75,367.75**

Source: - World Economic Outlook (IMF) & US Census Bureau

Gross domestic product (GDP) is a monetary measure of the market value of all final goods and services produced in a period (quarterly or yearly) of time. Nominal GDP estimates are commonly used to determine the economic performance of a whole country or region, and to make international comparisons. Nominal GDP per capita does not, however, reflect differences in the cost of living and the inflation rates of the countries; therefore using a basis of GDP per capita at purchasing power parity (PPP) is arguably more useful when comparing differences in living standards between different nations. Measuring GDP can be complicated, but at its most basic, the calculation can be done in one of two ways: either by adding up what everyone earned in a year (income approach) or by adding up what everyone spent (expenditure method). Logically, both measures should arrive at roughly the same total.

The income approach, sometimes referred to as GDP (I), is calculated by adding up total compensation to employees, gross profits for incorporated and non incorporated firms, and taxes less any subsidies. The expenditure method is the more common approach and is calculated by adding total consumption, investment, government spending and net exports.

There are actually two types of GDPs that economists use to measure a country's economy. Nominal GDP refers to a country's economic output without an inflation adjustment, while Real GDP is equal to the economic output adjusted for the effects of inflation. Economists will look at negative GDP growth to determine whether an economy is in a recession.

As one can imagine, economic production and growth which GDP represents large impact on nearly everyone within that economy. For example, when the economy is healthy, will typically see low unemployment and wage increases as businesses demand labor to meet the growing economy. A significant change in GDP, whether up or down, usually has a significant effect on the stock market. It's not hard to understand why; a bad economy usually means lower earnings for companies, which translates into lower stock prices. Investors often pay attention to both positive and negative GDP growth when assessing an investment idea or coming up with an investment strategy.

Table 2 reveals the GDP of G 20 countries in Billions (US$). USA stands first in GDP growth (18569.10). European Union stood second place in GDP (16408.36) FOLLOWED BY china in the second place having GDP at (11218.281). India is having GDP at 2256.40.Among the G 20 countries the GDP growth is least in South Africa which is 294.13. In majority of the G 20 countries GDP is increasing at a slow rate compare to 2010 to 2016.

According to International Monetary Fund (IMF) estimates, the global economy grew by around 3.1% in 2016, adjusted for inflation. For 2017, the forecast predicts a slightly higher growth rate of 3.5%. Almost all G20 countries have recovered since the economic and financial crisis of 2008/2009. The highest increases for the period 2010 to 2016 were recorded by China and India, with a real change to their gross domestic product (GDP) of 56% and 48% respectively. In Japan and in the South American and European G20 members GDP growth was more moderate during this time period.

The difference in growth rates has resulted in a shift of the economic weight of the various countries within the G20 over the past 20 years. Adjusted for inflation and purchasing power parity, the United States economy's share of global economic output has decreased by 4 percentage points from 20% in 1995 to 16% in 2015. Over the same time period, the European Union's share has decreased by 8 percentage points. On the other hand, Brazil, the Russian Federation, India, China and South Africa – the so called BRICS countries – saw a significant increase in their economic relevance. Their share of the global economy rose from 18% to 31% over this twenty year period.

Table 3: Gross domestic product based on Purchasing-Power-Parity (PPP)

Country	Gross domestic product based on Purchasing-Power-Parity (PPP) valuation of Country GDP in Billions (Current International Dollar)						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Argentina	784.28	867.60	890.67	931.30	951.00	964.28	874.07
Australia	917.89	962.34	1015.35	1053.23	1099.77	1136.92	1187.32
Brazil	2803.90	2973.86	3082.02	3218.20	3275.8	3207.86	3141.33
Canada	1355.51	1424.45	1478.58	1532.79	1595.98	1628.41	1682.36
China	12357.02	13810.26	15154.32	16585	18088.05	19509.98	21291.76
France	2340.16	2438.12	2487.57	25544.72	2591.17	2646.95	2733.68
Germany	3279.68	3471.83	3557.47	3630.15	3748.09	3842.00	3980.28
India	5370.62	5845.36	6255.54	6796.13	7411.09	8027.03	10662.35
Indonesia	2003.96	2171.52	2344.88	2516.06	2685.89	2838.64	3032.09
Italy	2077.42	2132.75	2111.86	2109.84	2135.36	2173.60	2234.50
Japan	4319.50	4388.65	4547.36	4694.85	4767.16	4842.40	5237.79
Mexico	1785.68	1896.26	2008.79	2069.84	2148.88	2220.13	2315.65
Russia	3031.01	3226.60	3397.76	3498.04	3576.84	3473.78	4152.00
Saudi Arabia	1217.78	1366.70	1466.83	1530.54	1609.63	1681.18	1750.86
South Africa	601.50	633.64	659.64	685.22	707.10	724.01	739.42
Republic of Korea	1473.65	1559.45	1624.58	1698.88	1783.95	1849.40	1934.03
Turkey	1184.40	1314.90	1367.61	1448.17	1514.86	1576.29	1988.33
United Kingdom	2233.48	2317.09	2375.32	2454.23	2569.22	2659.73	2785.56
USA	14964.4	15517.93	16155.25	16663.15	17348.08	17968.20	18569.10
European Union	16852.40	17502.63	17748.31	18078.85	18640.41	19176.33	20008.13
World	**88523.12**	**94012.76**	**98713.55**	**103554.47**	**10777.21**	**113162.22**	**120698.00**

Source: - World Economic Outlook (IMF) & US Census Bureau

GDP per capita (PPP based) is gross domestic product converted to international dollars using purchasing power parity rates and divided by total population. An international dollar has the same purchasing power over GDP as a U.S. dollar has in the United States. A purchasing power parity (PPP) between two countries, A and B, is the ratio of the number of units of country A’s currency needed to purchase in country A the same quantity of a specific good or service as one unit of country B’s currency will purchase in country B. PPPs can be expressed in the currency of either of the countries. In practice, they are usually computed among large numbers of countries and expressed in terms of a single currency, with the U.S. dollar (US$)

GDP comparisons using PPP are arguably more useful than those using nominal GDP when assessing a nation's domestic market because PPP takes into account the relative cost of local goods, services and inflation rates of the country, rather than using international market exchange rates which may distort the real differences in per capita income. It is however limited when measuring financial flows between countries. PPP is often used to gauge global poverty thresholds and is used by the United Nations in constructing the human development index. These surveys such as the International Comparison Program include both tradable and non-tradable goods in an attempt to estimate a representative basket of all goods.

The above table reveals the Gross domestic product based on Purchasing-Power-Parity valuation of Country GDP in Billions. It is clear from the table that GDP based on PPP is highest in china (21291.76) followed by Europium union (20008.13) and India (10662.35). South Africa is having least position as for as GDP based on PPP is concerned.

Table 4: Export (Goods) Growth and Share in World Exports: India and G-20 Countries

Country	Export (Goods) Growth and Share in World Exports : India and G-20 Countries) Merchandise Exports-(US $ Billion)					
	2010	**2011**	**2012**	**2013**	**2014**	**2015**
Argentina	65	84	75	83	72	57
Australia	213	272	257	253	241	188
Brazil	202	256	243	242	225	191
Canada	388	452	455	458	475	408
China	1578	1899	2049	2210	2342	2275
France	1794	2163	2164	2308	2262	1985
Germany	517	585	558	567	583	506
India	1262	1477	1408	1453	1508	1329
Indonesia	226	303	297	312	322	267
Italy	158	201	189	183	176	150
Japan	447	523	502	518	529	459
Mexico	770	823	799	715	684	625
Russia	466	555	548	560	573	527
Saudi Arabia	298	350	371	380	398	381
South Africa	400	515	527	523	498	340
Republic of Korea	251	365	388	376	354	202
Turkey	82	97	87	83	91	82
United Kingdom	114	135	153	152	158	144
USA	410	478	475	477	506	460
European Union	1279	1480	1546	1579	1621	1505
World	**15117**	**18371**	**18084**	**18464**	**19002**	**16482**

Source: - World Economic Outlook (IMF) & US Census Bureau

The above table reveals the Export (Goods) Growth and Share in World Exports: India and G-20 Countries-(US $ Billion).during 2015 China is in the top position, followed by France, European Union and India in the fourth position.

Advantages to India

- G 20 summits have agreed the terrorism and conflicts will make matters worse in the global economic scenario. G 20 summits accepted and initiated the Indian concern over combating financing terrorism and the security issues due to terrorism.
- Ratification of Paris Agreement on Climate Change by the end of 2016. But since India and other developing countries which are at the take off stage of economic development cannot afford to fully implement the Paris Agreement. Poverty alleviation is also as important as the environment protection. Therefore, the despite the pressure from the US and China, final draft skipped the mention of 2016 deadline and called for the ratification by member states.
- Avoided the deadline for the abolition of fuel subsidies. The Liquefied Petroleum Gas (LPG) comprises the bulk of fuel subsidy in India and it is used as cooking fuel by the bulk of its middle and lower class population. Though international fuel prices are consistently on lower trajectory, any sudden abolition of fuel subsidy will jeopardize the food security in India.
- The G-20 reaffirmed its commitment to refrain from competitive devaluation that leads to the volatile and disorderly movement of exchange rates. The artificially devalued currencies are detrimental for the growth of Indian exports.
- Innovation is the key for catapulting the Indian economic growth which unable to reach the 7% marks in the past few years. The G-20 endorsed the G-20 Blueprint on innovative Growth as a new agenda which will act in accordance with the circumstance of the each nation.
- The G-20 called for broader participation of the International Monetary Fund (IMF) membership along with the IMF quota and governance reforms. IMF quota reform is a long-lasting demand from India.
- India vehemently called for measures to check BEPS to non G-20 countries. BEPS refers to tax avoidance strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations.

CONCLUSIONS

The G20 members have already made some progress during the recent couple of years, but more effort needs to be made in reducing disproportional, nationalized tax systems that inadequately affect global capital movements and affect interest rates. In recent times, a disproportionate tax structure, promoting bigger firms to invest trans-nationally in such markets. Rationalizing the direct-indirect tax structure in member nations and ensuring parity in credit requirements shall ensure a more competitive market structure with easier entry and exit of firms. The balance in capital requirements steered by coordination in international taxation policies will help central banks of G 20 countries to monitor real interest rates with minimum volatility in currency markets and capital flows. Unless soft multilateral organizations like the G20 can successfully deliberate and cooperate on some of the above areas of economic cooperation, it is hard to put any faith in the effectiveness of such multilateral forums in the future.

Over the last decade, globally, there has been a significant decline and stagnation in industrial productivity levels. There has been stagnating real wages across manufacturing sectors in both developed and developing countries. On other hand, there has been advancement in technological innovations such as in the field of artificial intelligence and automation. These innovations are redesigning the manufacturing process globally, the measurement of productivity and its impact on the process of upward income mobility for employees warrant greater international scrutiny. There are no short remedy for emerging economies like India, China, Brazil, or Turkey in addressing structural domestic problems of slowing stagnating industrial productivity, job creation, and deflating export prices unless they seek greater economic cooperation with countries in Europe, the US and Canada. A good platform is provided by the G20 summit to address such kind of problems. One important area on cooperation in this regard is related to reassessing the traditional metrics of productivity assessment.

G-20 will be an effective forum for international economic cooperation moving forward. The G-20 will be able to play this role, it is argued, for three reasons. First, the G-20 includes all the major economic players at the table, but at the same time is small enough to facilitate concrete negotiations. Second, the involvement of national heads of state in the negotiations could serve to facilitate commitments in major policy areas. Third, as the issues discussed by the G-20 leaders expand, the G-20 may be able to facilitate cooperation by enabling trade-offs among major concerns, such as climate change and trade, that are not possible in issue specific forums and institutions. G-20 optimists typically point to the G-20's successes at the height of the financial crisis, when the G-20 played a unique, strong, and central role in steering the recovery efforts. The G-20 was the source of major decisions regarding fiscal stimulus, regulatory reform, tripling the IMF's lending capacity, and other response efforts. The G-20 also tasked other international organizations, such as the Bank for International Settlements (BIS), the IMF, the World Bank, and the Financial Stability Board (FSB), with facilitating, monitoring, or implementing various aspects of the response to the crisis. Finally, G-20 proponents argue that, even if agreement on policies is not always reached, it is a critical forum for discussing major policy initiatives across major countries and encouraging greater cooperation. The G20 is fundamentally illegitimate, not least by permanently excluding 173 countries from its deliberations and decision-making. Moreover, the G20 is ineffective on the crucial issues. Contrary to popular conceptions the G20 creates a dilution of global economic governance rather than a strengthening of it. The way to strengthen global economic governance is to create a genuine steering committee for the global economy, in a manner that both mirrors the legitimacy of the Bretton Woods Institutions and adjusts them to the realities of the global economy**(DIIS REPORT 2011:04 53)**

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