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The G20 Development Agenda

An Indian Perspective

EDITED BY
PARTHASARATHI SHOME



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Contents

| | |
|---|-----------|
| <i>List of Tables and Figures</i> | <i>v</i> |
| <i>Preface</i> | <i>xi</i> |
| Section 1: Introduction | |
| 1. Group of 20 <i>Parthasarathi Shome and Francis Xavier Rathinam</i> | 3 |
| Section 2: The Development Agenda | |
| 2. Commodity Market Policy for Food Security – The Road Ahead for G20 <i>Rajesh Chakrabarti, Francis Xavier Rathinam and Vijay Kumar Varadi</i> | 23 |
| 3. Recycling Global Surpluses for Infrastructure Investment in Emerging Market Economies <i>Renu Kohli</i> | 73 |
| 4. G20: Impact of the Crisis with Special Reference to India and International Burden Sharing <i>D. K. Srivastava</i> | 86 |
| 5. India's Growth Prospect: Structural Impediments <i>Kirit S. Parikh</i> | 127 |
| Section 3: Energy Security and Environmental Sustainability | |
| 6. The Co-benefit Principle and the Durban Platform: Towards an Inclusive Framework for Negotiating Climate Finance <i>A. Damodaran</i> | 161 |

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Edited by Parthasarathi Shome
Frontmatter
[More information](#)

iv Contents

| | |
|--|-----|
| 7. Greening the G20 Agenda: A Way Forward <i>Parthasarathi Shome and Amrita Goldar</i> | 183 |
| 8. Revisiting Fossil–Fuel Subsidies in the Context of Ongoing G20 Dialogue <i>Meeta Keswani Mehra and Divya Datt</i> | 203 |
| 9. Should India Join the International Energy Agency? <i>Prodipto Ghosh</i> | 256 |
| <i>Contributors</i> | 301 |
| <i>Index</i> | 303 |

List of Tables and Figures

List of Tables

| | |
|--|-----|
| Table 2.1: Top 20 agricultural futures and options worldwide ranked by number of contracts traded in 2010 | 32 |
| Table 2.2: Determinants of real spot index prices | 42 |
| Table 2.3: Determinants of real spot prices – refined soy oil | 43 |
| Table 2.4: Determinants of real spot prices – mentha oil | 43 |
| Table 2.5: Determinants of real spot prices – crude oil | 44 |
| Table 2.6: Determinants of real spot prices – natural gas | 45 |
| Table 2.7: Augmented Dickey-Fuller (ADF) test for unit root | 53 |
| Tables 2.8a and 2.8b: Granger causality – returns and volatility | 54 |
| Table 2.8c: Summary of causality results | 55 |
| Table 2.9: NCDEX soy bean – specifications of a futures contract | 60 |
| Table 2.10: List of exchanges | 62 |
| Table 2.11: Recent policy actions in India – foodgrains (cereals, pulses, sugar) | 63 |
| Table 4.1: Quarterly growth rates in selected G20 countries suffering recession – from pre- to post-crisis period (per cent) | 89 |
| Table 4.2: Quarterly growth rates (year-on-year) for selected G20 countries (per cent) | 90 |
| Table 4.3: Quarterly growth rates (year-on-year) of GDP at factor cost and its components (per cent) | 101 |
| Table 4.4: Quarterly growth rates (year-on-year) of GDP at factor cost and its components (per cent) | 103 |
| Table 4.5: Fiscal and current account deficits in India relative to GDP – recent years (per cent to GDP at market prices) | 106 |

vi List of Tables and Figures

| | |
|---|-----|
| Table 4.6: Funding gap estimates | 107 |
| Table 4.7: Selected MDG indicators – current status in India | 120 |
| Table 5.1: Decadal growth rate of GDP at factor cost (2004–05 prices) | 127 |
| Table 5.2: Poverty across NSS rounds – head count percentage | 128 |
| Table 5.3: All India electricity shortages | 131 |
| Table 5.4: Average electricity shortage 2002–03 to 2009–10 | 131 |
| Table 5.5: AT&C loss (per cent) | 133 |
| Table 5.6: Progress of open access | 138 |
| Table 5.7: Status of different phases of NHDP (as on 30 April 2012) | 141 |
| Table 5.8: Contracts awarded under build-operate-transfer (BOT) (toll/annuity) during the Eleventh Plan | 142 |
| Table 5.9: Port-wise performance indicators of major ports | 145 |
| Table 5.10: Dropout rates at primary/elementary and secondary schools in India (1960–61, 1965–66, 1970–71 and 1975–76 to 2006–07) | 146 |
| Table 5.11: Macroeconomic aggregates of scenarios of TFPG | 148 |
| Table 5.12: Ranges of commercial energy requirement, domestic production and imports for 8 per cent growth for 2031–32 | 151 |
| Table 5.13: Percentage share of exports measured in ₹ by regions | 153 |
| Table 6.1: Relative benefits or costs from adaptation projects for different mitigation scenarios | 169 |
| Table 6.2: Resource allocation options between mitigation and adaptation | 175 |
| Table 6.3: Possible negotiating positions on resource mobilization options in G20 | 178 |
| Table 8.1: Taxonomy of Subsidies | 207 |
| Table 8.2: Subsidy estimates in select OECD countries, 2012 (provisional) | 209 |

List of Tables and Figures vii

| | |
|--|-----|
| Table 8.3: Fossil fuel consumption subsidy indicators for select emerging economies and oil exporting countries, (2013) | 210 |
| Table 8.4: Magnitude of fossil fuel consumption subsidies by fuel, 2013 (billion dollars) | 211 |
| Table 8.5: Gas prices under the APM regime | 225 |
| Table 8.6: Average cost of supply and tariffs for electricity (₹/kWh) | 227 |
| Table 8.7: Percentage of households and average monthly per capita expenditure (MPCE) by primary source of energy for cooking – all-India, 2007–08 | 231 |
| Table 8.8: Percentage of households and average MPCE by primary source of energy for lighting – all India, 2007–08 | 231 |
| Table 8.9: Distribution of surveyed households across rounds and sector (rural-urban) | 236 |
| Table 8.10: Descriptive statistics for the variables | 237 |
| Table 8.11: Summary of elasticity estimates | 242 |
| Table 8.12: Fuel wood consumption by rural households | 247 |
| Table 8.13: LPG consumption by rural households | 248 |
| Table 8.14: Fuel wood consumption by urban households | 248 |
| Table 8.15: LPG consumption by urban households | 249 |
| Table 8.16: Electricity consumption by rural households | 249 |
| Table 8.17: Electricity consumption by urban households | 249 |
| Table 8.18: Consumption of PDS kerosene by rural households | 250 |
| Table 8.19: Consumption of non-PDS kerosene by rural households | 250 |
| Table 8.20: Consumption of PDS kerosene by urban households | 251 |
| Table 8.21: Consumption of non-PDS kerosene by urban households | 251 |
| Table 9.1: Estimated global natural gas resources and technically recoverable shale gas resources | 265 |

viii List of Tables and Figures

| | |
|---|-----|
| Table 9.2: India's commercial energy balance, 2010–11, million tonnes of oil equivalent | 278 |
| Table 9.3: Estimated net oil imports | 290 |
| Table 9.4: Projected (rounded) voting rights with fixed votes of each member = 3 | 290 |
| Table 9.5: Projected (rounded) voting rights with fixed votes of each member = 1 | 291 |
| Table 9.6: Votes of original 16 IEA members based on 1973 oil imports | 295 |
| Table 9.7: Voting strengths of 25 current IEA members | 296 |

List of Figures

| | |
|---|----|
| Figure 2.1: Price indices – food and agricultural commodities | 23 |
| Figure 2.2: Price index volatility – food and agricultural commodities | 24 |
| Figure 2.3: Broad policy reactions to food crises | 27 |
| Figure 2.4: Rice price behaviour | 29 |
| Figure 2.5: Real commodity prices | 38 |
| Figure 2.6: Spot prices of soy oil, mentha oil, crude oil and natural gas | 39 |
| Figure 2.7: Real economic activity | 39 |
| Figure 2.8: Financial factors | 40 |
| Figure 2.9: Macroeconomic factors | 40 |
| Figure 2.10: International oil prices and exchange rate (US\$ vs ₹) | 41 |
| Figure 2.11: Rainfall | 41 |
| Figure 2.12: Levels of spot and futures (index, crude oil, natural gas, refined soy oil and mentha oil) | 52 |
| Figure 2.13: Relationship between spot and futures | 53 |
| Figure 4.1: Current account imbalances – pre- and post-crisis | 92 |

List of Tables and Figures ix

| | |
|--|-----|
| Figure 4.2: Time path of current account imbalance of selected countries | 93 |
| Figure 4.3: Crude oil and world food price indices – time profile | 96 |
| Figure 4.4: Crude oil and world food price index – co-movement in growth rates | 97 |
| Figure 4.5: Indian manufacturing sector – quarterly growth rates (year-on-year) | 103 |
| Figure 4.6: Indian construction sector – quarterly growth rates (year-on-year) | 105 |
| Figure 4.7: Indian electricity, gas, and water supply sector – quarterly growth rates (year-on-year) | 105 |
| Figure 4.8: Share of working population to total population in India | 117 |
| Figure 4.9: India's recent growth experience: actual and trend | 122 |
| Figure 6.1: Efficient carbon price discovery – the rationale of mandatory mitigation | 171 |
| Figure 6.2: Benefits of mitigation on risk return patterns from adaptation projects | 174 |
| Figure 8.1: Freight transport in India – dominated by roads | 233 |
| Figure 9.1: Projections of global oil price till 2035 | 261 |
| Figure 9.2: Changes in population, per capita GDP, energy intensity, oil intensity, and oil use in different global regions, 2007–35 | 261 |
| Figure 9.3: Trajectories of oil use by OECD and non-OECD countries, 2007–35 | 262 |
| Figure 9.4: Changes in conventional oil production till 2035 from different OPEC sources | 262 |
| Figure 9.5: Changes in conventional oil production till 2035 from different non-OPEC sources | 263 |
| Figure 9.6: Production of unconventional liquid fuels till 2035 | 263 |
| Figure 9.7: Geology of natural gas and shale gas | 265 |
| Figure 9.8: India's fuel mix in 2007 | 268 |

x List of Tables and Figures

| | |
|---|-----|
| Figure 9.9: India's oil production and consumption, 1990–2009 | 269 |
| Figure 9.10: India's crude imports by country in 2009 | 269 |
| Figure 9.11: India's natural gas production and consumption, 1995–2009 | 272 |
| Figure 9.12: Electricity generation in India by technology type, 1990–2008 | 275 |
| Figure 9.13: Nuclear power generation projections upto 2050 | 277 |
| Figure 9.14: India's primary energy requirements in 2031 | 280 |
| Figure 9.15: Shares of primary energy sources till 2031 | 280 |
| Figure 9.16: Change in India's commercial energy intensity, 2001–31 | 281 |
| Figure 9.17: Oil imports of selected countries, 1995–2008 | 284 |
| Figure 9.18: Net change in IEA Votes of current members, if based on 2005 oil consumption | 287 |
| Figure 9.19: Votes of IEA members upon admission of India and China on the basis of 2009 net oil imports | 287 |
| Figure 9.20: Shares of projected oil imports of IEA members, India and China till 2035 | 291 |
| Figure 9.21: Projected percentages of voting rights with fixed votes of each member = 3, variable votes adjusted in line with projected oil imports | 292 |
| Figure 9.22: Projected percentages of voting rights with fixed votes of each member = 1, variable votes adjusted in line with projected oil imports | 292 |

Preface

The Group of 20 nations (G20) continues to be the premier forum for global economic governance with its relative success in containing the deleterious aftermath of the global economic crisis of 2008–09. In 2010, there was an upturn experienced at a wider macro level if not at an individual economy level for which a more fundamental restructuring of the global economy would be required than was actually reached. The G20's achievement was, nevertheless, to bring together developed and emerging economies and initiate a series of macro-economic and financial sector reforms as the crisis originated from that sector, and be able to coordinate to an observable extent the policies that the members would take for cross-country stabilization.

As the global economy recovered in 2010, the G20 began expanding its brief to include a development agenda, in particular, achieving food security in an environment of commodity price volatility, recycling global savings to boost infrastructure investment, enhancing international burden sharing, and energy and environmental sustainability. Thus, the G20 embarked on a strategy to broaden its agenda that had included global macroeconomic coordination together with financial sector reforms and regulation and the reform of international financial institutions, to also include a list of development agenda pillars together with energy security and environmental sustainability. During the concerned period, India's position was that of a growing emerging economy of significant size that came off relatively unscathed by the crisis despite extensive opening up of its economy to international trade. It was well placed to influence the G20 in its functioning as a global steering entity.

A recent volume edited by Shome (2014)¹ has examined emerging economy concerns and perspectives on reforms of the financial sector and the international monetary system, with a focus on India, set in the context of G20 reform initiatives and impasses. With this backdrop, this new volume

¹ Shome, Parthasarathi (edited). 2014. *The G20 Macroeconomic Agenda: India and the Emerging Economies*, Cambridge University Press, New Delhi.

xii Preface

assesses the progress as well as unresolved concerns of the G20's development agenda, with a focus on India. The volume is a collection of essays covering important aspects of the G20's development agenda, with an introductory chapter that addresses the evolution of the G20 and its subsequent inclusion of a development agenda and brings together selected development concerns, touching upon component aspects.

The G20's concerns are varied and constantly changing, thus providing rich ground to present and analyse them. Section 2 addresses the issue of commodity market policy for food security and explores the role of financialization of commodities, both in the international and Indian context. The section also examines the matter of recycling global surpluses to finance infrastructure investment in emerging economies. Coexistence of a persistent gap in infrastructure investment in some countries *pari passu* with excessive savings elsewhere, represents a serious drawback in converting savings into investment at a global level. However, profitable recycling of global savings is inhibited by considerable maturity mismatch risks and several alternatives to effectively manage the mismatch risk are explored. Given the G20's development initiatives, India's role in international burden sharing is discussed. And the section also addresses the prevailing structural impediments to India's growth prospects.

This is followed by energy security and environmental sustainability that have been added to the G20's emerging agenda. Section 3 discusses global initiatives on climate change and adaptation financing in the context of equity and economic efficiency. It explores the cost and benefit of energy subsidies as the intent and impact vary substantially among G20 members. The OECD countries provide subsidies to ensure regional employment and energy-supply security, while emerging economies aim at managing the price of basic goods and services where energy is a key input, with the objective of reaching out to poor end-users. As India contemplates taking up membership in the International Energy Agency (IEA) for better energy security, this section also weighs the cost of membership and the loss of policy autonomy, against the fact that non-members, including India currently, enjoy the positive externalities of global oil stabilization measures taken by the IEA.

Undoubtedly, the G20 has proved its resilience in bringing to the table emerging issues proving to be of global concern, the most recent just having emerged being base erosion and profit shifting for tax minimization by multinational companies whose global tax contribution has fallen to negligible levels at a time when the need for funds to reduce fiscal deficits or

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Frontmatter

[More information](#)

Preface xiii

fund much needed programmes is at its highest. Despite ever new challenges, the G20, somewhat surprisingly perhaps, appears to remain the most relevant international body to combat the continuing global recessionary environment while pursuing emerging development and structural challenges.

Appreciation for support received in the formulation of this volume authored by a wide array of authors is warranted. First, the Indian Ministry of Finance financed the research as a part of an overarching collaborative project on the G20 with the Indian Council for Research on International Economic Relations (ICRIER) where I was Director and Chief Executive when I headed the project. Francis Rathinam and Pooja Sharma managed the project on a day-to-day basis and Santosh Gupta provided secretarial help. It is hoped that the readership will find this work on the G20's development agenda a useful addition to the earlier work from the project on the G20's macroeconomic agenda, while the future calls for another volume on the G20's emerging concerns over depletion of tax revenues in the multinational context.

New Delhi

Parthasarathi Shome