Artha*Shastra*

u n b i a s e d *Insights*

THE GLOBAL SOUTH CONVERGENCE FORUM

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From the Editor's Desk...

Dear Reader,

Welcome back to another exciting edition of your favourite newsletter!

At the core, the mandate of The Global South Convergence Forum (GSCF) is two-fold. One, to provide a platform for the voices that shape the nations of the Global South. Two, to enable and facilitate people-to-people exchanges amongst the Global South nations.

Keeping the above-stated mandate in mind, during the quarter of April-June 2025, the GSCF team has actively participated in various strategic domains. Several meetings have taken place with companies from the Global South seeking to invest in India or establish commercial trade partnerships. Visiting factories and warehouses and conversing with Indian businessmen and their working staff, the GSCF team got directly involved at the grassroots level and demonstrated ground-level commitment. Notably, the Forum successfully secured an invitation letter for an Indian businessman, who also operates in the Indian neighbourhood, to further business ties with China.

With the US redesigning the global movement of students for higher education through its erratic, stringent policies and global geopolitical crisis erupting in different parts of the world, the youth of the Global South are actively seeking alternative options. Although the West continues to be a preferred destination, the East is also receiving a lot of attention. Thus, providing a vector of choices becomes imperative. Understanding the limitations of academic synergies amongst Global South nations, the Forum has been developing youth mobility initiatives focusing on integrating experiential learning opportunities. After all, feeling is learning.

Through our work over the past nine months, we have come to understand that global welfare maximisation can only be achieved through mutuality. People-to-people exchanges are the key to mutual learning and the foundation to mutual understanding, both essential for building everlasting mutually beneficial cooperations.

So, dear reader, unbiased insights by **ARTHASHASTRA** will hopefully trigger and provoke unthought-of thoughts, giving a fillip to a positive and offbeat direction. Until next time, keep your thinking caps on. Yes, we eagerly await your comments, suggestions, advice or criticism.

Warmly,

Natasha

Dr. Natasha Agarwal

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`The Global South Convergence Forum` in India, are open to collaborations on commissioned projects, data-driven research & analytics, and more based on your requirements. Knowing the ecosystem in India, we are in a unique position to help you navigate your Indian journey.

We look forward to hearing from you at :
globalsouth@gscforum.org

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The high cost of doing business in India and the reform it demands

Natasha Agarwal and Paresh Batra

In an interconnected world, geopolitical turmoils can have intended and unintended impacts on how the factors of production - land, labour, capital, and enterprise - interact with each other. The impact on these interactions is not always direct. Systemic geopolitical risks can also take the form of negative externalities, indirectly affecting these interactions.

For instance, the global auto industry is undergoing a tectonic shift due to China's rare earth export restrictions. The restrictions are supposedly a retaliation to the trade protectionist measures of the United States imposed on several trading partners, including China. Multinational car manufacturers are reporting a potential delay and derailment in short and medium car production targets. Japan's Suzuki, USA's Ford, and other European car manufacturers have reportedly shut operations, albeit temporarily, for some car models.

To mitigate the impact of such systemic geopolitical risks, businesses and governments both, independently and collectively, are exploring alternative strategies. For example, global car manufacturers responded to China's restrictions swiftly by lobbying governments to seek resumption of rare earth exports. Moreover, to reduce dependence on China's rare earth exports, car manufacturers are weighing options such as diversifying their supply chain, and redesigning auto components which require low-to-zero rare earth inputs.

Government's too actively responded with policy instruments. For instance, the Indian government is considering a Production Linked Incentive (PLI) scheme to establish domestic production and capacities. This is in addition to a proposed incentive scheme to encourage the recycling of critical materials in India. Collectively, the Indian government is reportedly in talks with some firms to increase the rare earth mineral stockpile.

In a globalised world economy, government interventions by one nation can indeed induce market distortions in another. The distortions are amplified when there are few domestic or international alternatives available. However, governments' holistic macro-level response often misses the nuances that shape complex and dynamic interactions between factors of production. Market distortionary instruments such as end-user conditions or country-specific-exports are not always government-induced.

Enterprises can also induce market distortions. For instance, a micro-Indian importer of PolyVinyl Alcohol (PVA) from five nations argues that PVA-manufacturers across the globe have been imposing Actual User Conditions (ACU). This means that some PVA manufacturers will supply only to entities that use PVA in their production process. These conditions are not country-specific. However, many Indian PVA importers and traders, despite meeting other supplier requirements, have been unable to import from those ACU-imposing PVA manufacturers.

In other words, market distortionary instruments, either imposed by nations or businesses, have the potential to influence market dynamics. By limiting a firms' market entry and challenging firms' survival, the instruments adversely affect the availability of a diverse range of essential raw materials to importers, traders and other downstream industry users.

Besides market distortionary instruments, nuances in day-to-day business operations also influence factorial interactions. These operations could be regarding meeting daily banking needs, clearing customs or meeting challenges posed by a deficit in logistical infrastructure. All of this leads to an increase in business costs and raises a question on the ease of doing business in India.

Micro, small and medium enterprises

(MSMEs) in India routinely complain about the banking difficulties faced by them in accessing capital. An Indian importer said that while he had no difficulty accessing capital from his banking partners – reflecting a broader economic trend reported by Niti Aayog about the credit share of micro- and small enterprises increased from 14% in September 2020 to 20% in September 2024 – there were other problems in the system.

The difficulties, the importer argues, were pertaining to daily banking operations. He described the communication lapse between customers and bank's managerial staff as harassment in disguise. "*After going back and forth with the junior, middle, and senior managers at the bank, I was so frustrated that I asked them to close my bank account*," he said.

To add to this, there is an undefined increase in charges for banking and other financial services. "*Nowadays, Indian banks have a full menu of bank charges with a gradual increase of 5% a year. For example, if the Telegraphic Transfer charges were Rs 500 earlier, now it has increased to Rs 550-600. It is a huge cost for businesses*", he said.

Clearing customs is another area of difficulty. India is known to have one of the toughest customs clearance systems in the world. As a result, business costs rise due to the time spent travelling to the landing port and explaining price differences – since the same product imported from different countries may be seen as undervalued at Indian ports – as well as due to additional financial expenses.

A delay in the release of imports could lead to detention and demurrage charges to be borne by the importing enterprise. For example, a 40-feet container could cost businesses Rs 20,000-25,000 per day in detention and demurrage charges alone.

Businesses in India also face various types of logistical infrastructural challenges. A crumbling infrastructure in the form of pot-hole filled roads and long delays at toll booths has been a problem for decades. To compound matters for businesses particularly engaged in international trade, container imbalance and poor port logistics and poor handling of cargo at ports, has been adding to costs.

Additionally, poor port logistics that are unable to handle heavy traffic or port congestion does not help. "*Sometimes it takes up to four days for a container to go to the yard because the port congestion is so high. Now the shipping yard gives you two days free, but if your container does not arrive within the stipulated two free days, they cannot do anything. They will start charging you. Due to port congestion, which is beyond our control, we are still required to pay ground rent to the yard company. This, even though we have not utilised the space at all. All this is done systematically and electronically. You cannot do anything about this.*" Financially, port congestion can lead to "*detention and demurrage charges from Rs 8,000-10,000. Then it exponentially increases to Rs 20,000 in week two, Rs 40,000 in week three, going up to Rs 80,000/day*".

While global and regional geopolitical crises affect domestic trade, the key to reducing their impact lies in a country's economic resilience. The Indian government, though late to act, has started implementing macro- and micro-economic policies in this area. However, the expected economic benefits from policy transmission continues to remain muted in India.

To unlock India's manufacturing prowess, the Indian government needs to go beyond the obvious variables and respond on a war footing with policies that enable and facilitate optimal factorial interactions. Perception management can take India only so far. Strengthening the domestic environment is key to making India a lucrative market.

This article was originally published on June 22, 2025 and can be accessed at https://thewire.in/business/the-high-cost-of-doing-business-in-india-and-the-reform-it-demands

International links...to local things

In conversation with a micro Indian importer

The aggregate data of an economy reflects and indicates the state of economic affairs in the country. For example, the Department of Economic Affairs of the Indian Ministry of Finance noted in its Monthly Economic Review on May 27, 2025 that "*Indian overseas direct investment increased nearby by $12.5billion during FY25, even as uncertainty reigned in the world, deserves attention, especially given their cautious attitude towards domestic investment*".

However, aggregation often misses the nuances underlying the complex and dynamic interactions between domestic and international factors of production - land, labour, capital and enterprise - to produce and consume an economic output. For instance, MSMEs in India routinely complain about the banking difficulties they face when accessing capital. But are these difficulties related to a communication lapse with the bank's management staff and/or are they related to technical glitches in the bank? The answer to optimal factorial interactions, thus lie in the nuances.

The Global South Convergence Forum team got down and dirty, going to the grassroots. Interviewing a micro-Indian importer that imports chemicals from five countries, we uncover known and unknown facets. Hence, advancing our knowledge and understanding of the nuances that could facilitate the optimisation of factorial interactions is a challenge. We bring to the fore the voices of the Global South, heard and unheard.

Note - For this interview, the name of the importer and his company name are masked at his request. We have named him Masked Entity (M.E) for the sake of this interview.

Team `GSCF` : ***Could you share your full name and company details?***
M.E : I am xxxxxx xxxxxxx. My company name is registered as abcdefgh.

Team `GSCF` : ***When did you start the business?***
M.E : We started our business in 2010.

Team `GSCF` : ***What is the nature of your business?***
M.E : We are importers and traders primarily of Polyvinyl Alcohol - PVA (HS code 39053000) and Lauryl Alcohol - LA (HS code 38237020) in India. These two chemicals constitute 80% of our business. Our first import was that of PVA from the USA.

Team `GSCF` : ***What sort of certifications are required for you to import PVA and LA in India?***
M.E : This is Open General Licence (OGL) imports. You can say 80% of the products imported in India are under OGL.

Team `GSCF` : ***Which countries do you currently import PVA and LA?***
M.E : We import Lauryl Alcohol from Malaysia and Singapore. We also import Polyvinyl Alcohol from the USA, Germany, Singapore, Japan, and China.

Team `GSCF` : ***What is the primary reason for importing PVA and LA from different countries?***
M.E : PVA and LA are available in two broad categories - prime, which is premium quality and the other known as off-grade quality. Each country offers both qualities. For example, prime-PVA and off-grade-PVA can be imported from both China and the United States. Within each broad category, there exist many subcategories reflecting varying levels of product properties and performance. Broadly speaking, in my experience, there is a perceptible difference in the qualities depending on the country of origin within product (sub)categories. For example, prime-PVA imports from the

USA are different in quality from prime-PVA imports from China. In addition, prime-PVA imports from China are similar to off-grade PVA imports from the USA. Therefore, our imports are driven by the requirements of our clients.

Team GSCF : ***Can you help us understand the various grade prices from the countries you import from?***
M.E : Yes, very much. Let us take PVA. Up to Nhava Sheva Port (also known as Jawaharlal Nehru Port) in Maharashtra, the average CIF prices are as below:

Country imported from	Grade (product-PVA)	CIF* price** (USD/ton)
USA,Singapore, Germany	Prime	> 3000
Japan	Prime	2200
China	Prime	1600–1700
USA,Singapore, Germany	Off-grade	950–1050

*Cost, Insurance and Freight. **Prices are in approximation.

Team GSCF : ***What is the import duty cost to your business?***
M.E : For PVA imports from Singapore, Germany, the United States, and China, the basic custom duty (BCD) is 7.5%. There are no import duties on imports from Japan.

For LA imports from Malaysia and Singapore, the BCD is 7.5%,

In addition to BCD, a social welfare surcharge of 10% is applicable.

Team GSCF : ***What volume of these materials do you import annually?***
M.E : We import approximately 400 tonnes of LA and approximately 1000 tonnes of PVA per year.

Team GSCF : ***What led you to be an importer?***
M.E : Due to the competition of Chinese manufacturers in the international market, it was difficult to export. Thus, importing and selling in India was feasible.

Team GSCF : ***Apart from PVA and LA, are there other products you import?***
M.E : Once or twice a year, we import a few other liquid chemicals from Singapore.

Team GSCF : ***What are the processes you undertake once the imported goods reach your warehouse?***
M.E : Once the imported goods reach our warehouse, we take samples for laboratory testing. Based on lab reports, we grade and blend the goods under various categories. This also helps us achieve homogeneity of the product. Subsequently, we repack it under our brand name and sell it to our clients on the Indian market.

Team GSCF : ***Can you provide us with your client profile?***
M.E : 80% of our imports reach end-users in downstream industries, and the balance 20% is picked up by different traders in the country.

Team GSCF : ***Since you import different grades of PVA from different countries. And then again, each are priced differently, How does your client decide which grade to purchase from you?***
M.E : As you can see in the table above, there is a difference in the prices of PVA, depending on the country of origin. In addition to pricing, there are other factors such as the end use of PVA, that also affect what a client chooses to buy.

We must understand the interaction between the end use of PVA and its price sensitivities in industries. To give an example, consider adhesive manufacturing. PVA is used in the manufacturing of both wood adhesives and sticker adhesives. Sticker adhesive must be very transparent and water-like. Now, if our client's end user is in the bottling industry, where the application of labels on each bottle is an integral part of the bottling process. In this case, if any small error occurs in the sticker adhesive - for example, the transparency is not good, the stickiness is excessive post-label application, or there are yellow/white particles that can be seen in the adhesive - then the sticker adhesive is just not acceptable. So, the sticker adhesive has to be world-class. In such a scenario, our clients demand the best-quality PVA irrespective of its price.

Alternatively, let us understand the usage of PVA in the textile dyeing industry. This is a price-sensitive market segment where input costs matter. Therefore, our clients who supply to the textile dyeing industry tend to pick up those PVA that are lower on the quality scale.

Our clients usually ask for samples from different countries before making a purchase. The results of these tests help them make better informed buying decisions.

Team `GSCF` : ***What quantities are requested by your clients for testing and trial production?***
M.E : Clients have their own laboratories, and they also have their own technical people. First, clients buy a small quantity of PVA, maybe one or two bags, for laboratory tests. Once their laboratory tests are successful, they then purchase 200- 400 kgs for trial production. After successful trial production, larger quantities are purchased to begin their production cycles.

Team `GSCF` : ***Do you face any language barrier while communicating with your international vendors?***
M.E : Not even once. People in international trade know that they have to communicate in English. So, basic English is prevalent.

Team `GSCF` : ***How do you deal with currency fluctuations?***
M.E : I think no Indian importer can win this. It is so unexpected. For the three months from December 2024 to February 2025, all importers in India made heavy losses as the USD/INR went from 84 to 87 in those three months. So an approximate 5% fluctuation in the currency is a huge fluctuation for importers. This is because in some products we don't even earn 5%. We did all the hard work and all the money went into currency fluctuations.

Team `GSCF` : ***Talking about fluctuations, do you experience fluctuations in the prices of PVA imports?***
M.E : Yes, very much. We do face price fluctuations in our PVA imports. In general, the prices of off-grade PVA remain steady throughout the year. But with prime-PVA, we face a lot of price volatility.

Team `GSCF` : ***What are the key drivers, according to you, behind the price volatility for prime-PVA?***
M.E : The Chinese companies keep on increasing and decreasing the prices because of different factors. Firstly, the Chinese government policies keep changing every now and then. Secondly, their raw material prices also fluctuate regularly. If they see that their raw material prices have gone up, they increase their prices. They do not keep the prices stable for longer periods. For example, in January, if they have bookings at say USD1500/tonne, they will maintain this only until January 30th. In February, the prices will change; may increase to USD1600/tonne or decrease to USD1400/tonne. They have to revise their prices for some reason or another.

Team `GSCF` : ***Does the changing prices of Chinese prime-PVA influence the prices of prime-PVA from other countries such as the US or Japan?***
M.E : USA and Japanese companies do not hold back and respond accordingly to the changing prices of the Chinese prime-PVA. China basically controls the markets, as it dominates the world's supply of prime PVA.

Team `GSCF` : ***Have you faced any challenges in meeting country-specific regulations or requirements?***
M.E : It's not so much about regulations or requirements. In different countries, different companies set specific terms for supply. Many of them impose conditions that restrict who can import their products. For example, some manufacturers will only supply directly to end users. Since I am not an end user myself, I was unable to source from those companies despite meeting all other requirements.

Team `GSCF` : ***Have there been any other unique challenges...such as a sudden spike***

in freight charges, maybe... container shortages or other unusual problems?
M.E : Yes, we did. Not only us. Many importers from India and all over the world have faced these issues.

Team GSCF : ***Do you face any difficulties in clearing customs?***
M.E : Customs clearances are always a big challenge.

Team GSCF : ***Could you elaborate further?***
M.E : No comments

Team GSCF : ***In your experience, has a delay in international logistics affected your day-to-day operations?***
M.E : Big time! In my experience, the heavy traffic at ports is the main reason. Not only does it delay, it is also very expensive. For example, container detention and demurrage charges start from the day the IGM (Import General Manifest) is filed. So suppose that your bill of entry is filed for January 1st and the ship has arrived on January 1st. Sometimes it takes 3 or 4 days for the container to go to the yard because the congestion is so high. Now the shipping yard gives you two days free, but if your container does not arrive within the stipulated two free days, they cannot do anything. They will start charging you. Due to port congestion that is something beyond our control, we are still required to pay ground rent to the yard company. This, even though we have not used the space at all. All this is done systematically and electronically. You cannot do anything about this.

Team GSCF : ***How does heavy port-congestion affect your business financially?***
M.E : For one week, the detention and demurrage charges cost INR8,000 to INR10,000. Then it exponentially increases to INR20,000 in week two, INR40,000 in week three, going up to INR80,000/day. So, if you are in the import business and if the clearance part is not done properly, then you are totally in a mess. All figures are approximations.

Team GSCF : ***As an importer, are there other areas of your operations that pose difficulties?***
M.E : International logistics is also a great challenge. We have seen that in the last three years there has been a sudden shortage of containers and the freight charges from China or Singapore have increased. For instance, say today the freight charges of a 20-foot container from China to India is USD400/trip, it goes up to USD2000/trip. So, if the container shortage starts to appear, the freight charges increase like anything.

Team GSCF : ***What is the impact of higher freight charges on your business?***
M.E : Let's assume we have made a booking at a certain price point. And freight charges have suddenly skyrocketed. Exporters, in this scenario, will give us options such as cancelling the order with them or revising the booked prices. When we point out the details in the indent, the exporters rightly point out that due to the nonavailability of containers, which are not in their control, the freight charges need to be accommodated. Having said that, exporters are willing to ship the product at the booked prices, just that we, the importer, would have to wait for the containers to be available. The wait time could be anywhere between 2-6 months or indefinite.

Team GSCF : ***You mention above that the freight charges have increased in the last three years. Why the last three years?***
M.E : We do not know the exact reasons. But twice it has happened that after the 2020-2021 COVID-19 episode, we were unable to find containers. My best guess is that there was a container imbalance. Once, due to container freight charges, the price of PVA booking from China jumped to USD4800/tonne from USD1600/tonne.

In my 15-year career in this industry, this is the first time I have experienced this.

Team GSCF : ***Was this phenomenon of a possible container imbalance reflected in an increase in PVA import prices from other countries outside of China?***
M.E : No. At the same time, I was importing from the US and Germany, but there was no increase in their PVA prices. This was unique

only to China-sourced PVA, as there were no containers available from China at that time.

Team GSCF : ***Interesting! We were wondering if you could share more details on the banking instruments and facilities for importers in India?***

M.E : There are three widely used payment modes. One is Telegraphic Transfer (TT). One is a Letter of Credit (LC), mostly 90-day LCs. One is Deferred Payment (DP), where the exporter trusts you blindly and they give you the consignment, and you can repay them in a certain number of days, commonly used in the industry as DP-60 days or DP-90 days.

When the purchase invoice (PI) is issued, the importer must make 30%-40% of the PI value as an advance payment. When the documents are shipped, they (exporter) will give you the Bill of Lading (B/L) copy; thereafter, you have to make the balance payment.

In the past two years, I have seen that some Chinese exporters are shipping PVA on DP terms, where payment can be done 30-60 days from B/L date. The PVA prices are also very competitive. The Chinese can do big business these days with India. Chinese companies are very bold and high-risk takers.

Surprisingly, I source PVA from Chinese companies on DP terms. And this also in an industry where no exporter would ship without an advance payment. It was shocking to us. Still, it happened.

Team GSCF : ***Have Indian banks come of age?***

M.E : Banks in India are very advanced, especially private banks, compared to public banks. However, there are benefits attached to banking with public banks. For example, interest on working capital credit is lower in public banks than in private banks.

Team GSCF : ***As an importer, do you have difficulties in accessing finance?***

M.E : I have not faced any challenges in accessing finance in terms of bank credit or bank loans. But nowadays, banks have a full menu of bank charges with a gradual increase of 5% a year. For example, if the TT charge was INR500 earlier, now it has increased to INR550 - INR600. It is a huge cost for businesses.

Team GSCF : ***Personally, would you like to see any improvement in the Indian banking system?***

M.E : Quite a lot!

Prioritising improvement, the communication gap between the customer and the banking staff should be improved. For example, if you communicate to your relationship manager at the bank that the LC charges, which were to be INR25,000, suddenly become INR80,000. Why? He would respond that he will speak to his seniors.

After a lapse in time, I would have to go to the senior who would, in positive, respond to me that first, you should have come to me, and second, I have sent an email on your behalf to the top management. And the senior also does not make progress. After going back and forth with the junior, middle, and senior managers at the bank, I was so frustrated that I asked them to close my bank account. And I am convinced that this kind of harassment is done on purpose, as the entire management team knows that they are getting INR80,000 instead of INR25,000. They are haphazardly charging without any reason. Despite my frustration, I chose not to approach the banking ombudsman. I chose to move away and switch banks.

The Indian banking system can be good sometimes, but from the point of view of banking charges, it is very bad. They seem to have no morals. They always make false promises.

I see that a new trend is emerging in the banking system, wherein the banks, in fine print, make you sign on a line that if any charges are levied by any bank officer for any reason, regardless of the percentage, it will not be reversed under any circumstances.

Indian banking needs to mature in a big way!

Team GSCF : ***I hope the management in power hears your voice! What is the one aspect of your business that you would like to see change?***

M.E : Conditional barriers such as the Actual User Condition (AUC), where some of the PVA manufacturers would only sell PVA to actual users, in my opinion, should not exist. Manufacturers supply the materials through traders. So why not open the market to everyone?

And this conditional barrier is not country-specific.

Team GSCF : ***Similarly, what are the two or three things you would like to change on the Indian side?***

M.E : As an importer, there are many aspects that I would like to see improved. Firstly, the banking system. Second, customs and clearances.

Team GSCF : ***Would you want to partner as a stakeholder with any of your international vendors?***

M.E : Yes. I would like to partner with Chinese companies.

Team GSCF : ***What advice would you give to an entrepreneur looking to be an importer of chemicals?***

M.E : As an importer, I think that unless and until you understand your potential customers, you must not enter the PVA-importing business. Secondly, in the beginning, it is very important to start the business with your investment. Do not rely on bank finances to fund your business. The main reason is that business can be volatile and that your earnings may not always be enough to cover bank charges and interest. Third, you must have a complete set-up for storing, grading, repacking, and thereafter supplying. Unless and until you build your own infrastructure, it is best to avoid entering the market.

So, you must have your own funding. You must have your infrastructure. And, most importantly, you must have your market.

Team GSCF : ***As a businessman, when you read the news, does unpredictability affect your business decision making, especially when it comes to the impact of global and regional geopolitical turmoil on bilateral relations between India and China?***

M.E : See, we in India have to understand that for China, the world is a market, and India is just one of the markets. If you want to avoid buying from China, it is not possible. This is because China is well ahead of you in terms of products, in terms of quality, and in terms of pricing. You do not have an alternative to China. By stopping China, your industries are going to be negatively affected. Unless and until you have a substitute for China, you cannot challenge China. And making an alternative replacement for China is not easy. You look at the conditions under which Indian manufacturers and traders are doing business. In comparison, you will be shocked to see what our Chinese counterparts are doing. Unless and until you overhaul the Indian business environment, you cannot challenge China. Indian industries are at least a decade behind China. India will take a long time to reach anywhere near China.

Unblock your business potential in the Global South

A few weeks ago, a prominent businessman with operations in India's neighbourhood found himself in a difficult situation. The businessman we are referring to had missed the deadline for the registration of one of China's most important trade fairs dedicated to the mining and allied industries. Despite their internal frantic efforts to secure an invitation letter, no progress was made. For this business, not being seen or heard at the prestigious event was not an option. And, to further compound matters, time was of the essence.

It is a situation many businesses might be familiar and conversant with - realising late that visibility at an international event is critical to both reputation and opportunity. Business pressures run high.

Determined not to let a missed deadline hinder his growth ambitions, he reached out to `The Global South Convergence Forum`. He had learnt about the Forum's work on the Global South through social media. Consequently, rather than viewing this as an obstacle, we saw an opportunity to convert a setback to a breakthrough moment, to strengthen cross-border commercial ties.

The `GSCF` Team scrambled into action. We started leveraging an extensive network of strategic contacts and institutional goodwill, activating our ecosystem. **Within 24 hours**, what seemed like a closed door became an open one for **the high-profile businessman**. He **secured his official invitation letter**, ensuring his representation at the trade fair, thereby setting in motion vital business conversations.

This is an example of what can happen when goals meet resourcefulness. Behind the scenes, The `GSCF` team works with zeal and commitment, turning failures into successes and transforming logistical obstacles into opportunities for collaboration. In a world where timing is everything, having the team of `The Global South Convergence Forum` on your side will give you an edge and will make a difference. Yes, we work quietly with the passion and fervour that India and China working together will benefit the Global South in more ways than one, than one can imagine.

Reach out to us at globalsouth@gscforum.org and we will be happy to help you expand your business footprint in the Global South.

Development without aid

Xu Jin and Li Xiaoyun

The creation of development finance institutions such as the World Bank and the International Monetary Fund in the aftermath of World War II marked the formalisation of the international aid architecture. This system took institutional shape through the Development Assistance Committee of the Organisation for Economic Cooperation and Development, a club largely comprising wealthy nations. For decades, official development assistance was hailed as the engine of global development - at times even a panacea. In 1970, the United Nations set an ambitious target: that rich countries should allocate 0.7 percent of their Gross National Income to Official Development Assistance, cementing the doctrine of "no aid, no development".

So when the second Donald Trump administration began axing its aid — which accounted for nearly one-third of DAC contributions and half of global humanitarian funding — many saw it as the abrupt twilight of the aid era.

Yet the retrenchment of aid was less a sudden rupture than the culmination of a decade-long recalibration. Since the 2008 financial crisis, many DAC members have quietly retooled their aid systems, steering them away from development as an end in itself and toward foreign policy and security objectives. Countries such as the Netherlands, Australia, Canada, and the United Kingdom folded their aid agencies into foreign ministries, effectively turning development assistance into a strategic instrument. The trend accelerated in 2015, when Europe's refugee crisis saw donor countries diverting up to 30 percent of their ODA budgets to cover in-country refugee costs - leaving less for development projects in poorer nations. The Ukraine crisis, which erupted in 2022, further entrenched this shift. That year, most of the increase in global ODA flowed not to the least developed countries, but to Ukraine. By 2025, several leading European donors - including the UK, France, and Germany - had announced sharp aid reductions while ramping up military budgets. The UK, for instance, is slashing aid by 40 percent and raising defence spending from 2.3 percent to 2.5 percent of GDP by 2027.

This strategic repurposing leaves a funding vacuum that neither emerging economies in the Global South nor the private sector are likely to fill anytime soon. The shortfall is especially stark in Africa, where US bilateral aid accounts for roughly a quarter of all external development finance. In 16 African nations, funding from USAID alone makes up around 1 percent of Gross National Income. According to the Institute for Security Studies in South Africa, current US aid cutbacks could push an additional 19 million Africans into extreme poverty by 2030.

The decline in aid points to a deeper paradox at the heart of the development enterprise. Though nearly 70 percent of aid from advanced economies is nominally devoted to promoting growth, no country has ever vaulted to sustained prosperity on aid alone. Instead, it has bred dependency and, more insidiously, chipped away at the sovereignty of recipient nations. Governments often bend to donor priorities, sidelining domestic agendas in favour of externally dictated benchmarks. The result is frequently a misalignment of goals - where aid-driven projects supplant rather than support local industries. At the same time, the steady flow of foreign assistance dulls incentives to build robust tax systems, leaving fiscal institutions underdeveloped and states trapped in a cycle of external reliance.

Aid often comes tethered to the donor's values. Western-led assistance is frequently laden with political conditions, privileging democratisation and "good governance" over economic pragmatism. This reordering of priorities can distort national agendas, leaving recipient governments juggling donor expectations rather than pursuing national development strategies. Neoliberal prescriptions, rooted in the belief that "government is the problem", have led donors to bypass state institutions, channelling aid through nongovernmental organisations instead. This approach often results in fragmented projects that operate in silos and lack coordination with national development plans. The proliferation of such fragmented aid projects has left developing countries struggling to align external interventions with coherent long-term development plans.

Yet the retreat of aid is also catalysing a welcome shift. Across the Global South, governments are rediscovering the imperative - and the possibility — of self-reliance. The perils of aid dependency have become harder difficult to ignore. In 2017, Ghana's then-president, Nana Akufo-Addo, launched the "Ghana Beyond Aid" initiative, arguing that true prosperity could only come from within. His successor, John Mahama, has endorsed the same vision. From Ghana to Ethiopia, and from Rwanda to Zambia, leaders are beginning to frame the so-called post-aid era as a window of opportunity: one in which nations can pursue homegrown strategies, rebuild institutional capacity, and craft a new development paradigm on their own terms.

This moment presents a rare opportunity to rethink and restructure the global governance system. Multilateral institutions - particularly those anchored in the United Nations - are already facing acute disruptions. Many UN agencies have begun cutting staff and slashing budgets. The World Food Programme, the world's largest humanitarian agency and heavily reliant on US funding, plans to lay off 30 percent of its global workforce, cutting 6,000 jobs. As aid flows recede, low-income countries are increasingly turning to emerging powers such as China and India for support, potentially placing outsize pressure on these South-South cooperation partners. Collectively, these shifts are poised to redraw the contours of global governance, recasting the roles of both the Global North and the Global South.

For countries in the Global South, the retreat of aid is both a risk and a reckoning. While the danger of falling into new forms of dependency remains, so too does the promise of charting new self-determined development paths. The challenge and opportunity lie in fostering genuine autonomy and advancing a more just and equitable international order.

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India cannot afford to lose plot while chasing Chinese investment

Natasha Agarwal

Of the many strategies to deepen India's integration into the global value chain, the Indian Economic Survey 2023-24 says "*it is inevitable that India plugs itself into China's supply chain*". To do so, it argues that India must make a choice between relying solely on imported goods from China or attracting Chinese foreign direct investment (FDI).

The report, produced annually by India's Ministry of Finance, favours the latter. Chinese FDI would help India kill two birds with one stone. It would help India address the growing bilateral trade deficit with China while at the same time enabling India to capitalise on the "China plus one" strategy, a strategy being effectively used by other developing economies.

However, the reasons India is seeking Chinese FDI are haphazard and show a lack of coherent economic reasoning. The Economic Survey suggests they stem from being economically submerged in the bilateral relationship with China, while missing out on the benefits of 'China plus one'. Indian policy makers seem to think they have no choice but to pursue Chinese FDI while leaving the development of domestic technological capabilities as an afterthought.

India needs to redefine its objectives. Improving the country's technological capabilities should be the focus of India's FDI policies. Accordingly, its strategy towards China should rest on technological transfers and diffusion of Chinese FDI.

The paucity of data means that there is little to no evidence to indicate whether wholly owned Chinese subsidiaries are better than joint ventures with Indian firms. Drawing from global studies on the impact of firm ownership on technological transfers in host countries, policies could be directed to encourage joint ventures between Indian and Chinese firms with technological transfers as the fulcrum of such partnerships.

Transfers can be direct through means such as technological handovers, with know-how shared with little restriction in study groups or corporate joint ventures. Alternatively, transfers can also be indirect, wherein the very presence of Chinese firms within India's borders could initiate the process of technological transfers.

The idea is that the technological capabilities and management techniques of Chinese multinationals gradually leak out of Chinese firms and become common knowledge in the domestic Indian market. In other words, Indian firms could enjoy the technological spillover benefits of incorporating foreign knowledge into their production processes without having to acquire it via a transaction.

Such technological spillovers can play a critical role. However, the magnitude of spillover largely depends on a country's ability to absorb and assimilate the available knowledge, which, in turn relates to skills of its workforce, the state of its infrastructure, its institutional framework, and openness to structural reforms.

For example, the presence and activities of Chinese firms in India could facilitate technological spillovers through imitation, whereby domestic Indian firms could reverse engineer technologies embodied in Chinese FDI. This could close the technological gap, putting domestic laggards onto an innovation trajectory. However, reverse engineering is only possible if the Indian workforce has the necessary skill set to make it happen.

Thus, India must invest time, money and effort in structural and institutional reforms. These reforms need to start by delivering high-quality development rather than just ticking government boxes. For example, given India's aspirational growth trajectory, it comes as no surprise that the country is witnessing infrastructure boom.

In its budget for the coming year, Prime Minister Narendra Modi's government maintains that the infrastructure will continue to receive 'strong fiscal support'. However, upgrading the country's infrastructure must go beyond improving India's position in assessments such as the World Bank Logistics Performance Index or exploring aspirational projects such as the construction of the country's largest sea bridge or biggest port..

Instead, the focus in infrastructure development should be to deliver seamless, effective, and efficient connectivity across the length and breadth of India. This connectivity must go beyond national highways and include local roads that connect the country's interior, leaving no Indian behind. Replacing crumbling infrastructure and ensuring that pothole-free roads, especially during wet seasons, could be one ambition at the start of this journey.

India also needs to tap into the role that governments at the state and local levels can play in bringing along the development of the country's infrastructure. While financial transfers and budgetary autonomy are indispensable factors, decentralisation that endorses adaptive governance is also important to promoting good development outcomes.

Much like other multinational firms, Chinese multinationals would do a cost-benefit analysis before entering India. The presumption that Chinese firms are waiting with anticipation for India to open up needs a reality check, especially given India's stringent attitude towards Chinese businesses to suit the government's rhetoric over the border dispute with China.

India's short-sighted approach to Chinese FDI needs to go beyond extending a cautiounary welcome. It needs to actively bargain for a higher share in Chinese multinationals' portfolio. The bargaining chip here is a robust and resilient domestic ecosystem, which also helps multinationals in managing their international risk exposure.

A country's absorptive capacity can not only facilitate FDI spillovers within a country but also act as a determining factor for FDI inflows in the country. Essential reforms such as on visas can help ease labour shortages in the domestic economy as well as encourage FDI spillovers. Whichever path India chooses going forward, it will need a holistic approach to FDI policies with policy intervention on all fronts of economic development, domestically and internationally.

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Ghana's economic journey: The need for hope

Henry Telli

In recent times, many Ghanaians have expressed deep frustration and disappointment with the state of the economy. The sense of hopelessness is palpable, particularly among young people, as people look around and see challenges that seem insurmountable. The economy seems to stumble from one economic crisis to another – from DUMSOR to banking sector Crisis to the COVID-19 pandemic in just the last 10 years. Many struggle with the high and rising cost of living and are experiencing the severe difficulties that come with macroeconomic instability. They see lapses in governance and relentless levels of corruption. Many believe that the economy has regressed, and things are getting worse. However, it is crucial to take a step back and view the economic journey of Ghana through the lens of time and perspective. In this article, I hope to help us all see why there is hope. There are many reasons why we should have hope, but in this article, I will offer just two – **Time** and **Perspective**.

Progress over time

Time helps us to appreciate where we have come from and where we are going. If we take a snapshot of the key economic indicators 20 years ago and compare it to now, we will notice that there have been gradual improvements in economic welfare in Ghana over time, despite the turbulence we seem to be constantly going through. Based on historical data, we can roughly forecast where Ghana will be in the next 20 years.

Per Capita Income: Over the past two decades, Ghana's GDP per capita has seen significant growth. Despite recent economic challenges, the long-term trend shows a marked improvement. In 2004, Ghana's GDP per capita was approximately $400, whereas today it stands at over $2,200. At constant 2015 USD prices, the per capita income has almost doubled from $1,075 in 2003 to $2,066 in 2023. A simple forecast analysis based on historical data on per capita income (from World Development indicators) shows that in the next 10 years (by 2034) per capita income in Ghana will reach over $3,300. There is hope.

GDP Growth: From 2003 to 2023, Ghana's GDP growth rate has experienced fluctuations, with notable highs and lows. Despite periods of lower growth, such as in 2014 (2.9%), 2015 (2.1%) and 2020 (0.5%), the overall trend has been positive with an average GDP growth of 5.7%. This shows the continuous expansion, adaptability, and resilience of the economy.

Level of Poverty: Poverty rates in Ghana have generally declined since the 1990s. While recent economic challenges have caused setbacks, the overall trend remains positive. In 2002, approximately 27% of Ghanaians lived in extreme poverty (measured by the $1.90-a-day threshold) compared to 9% in 2023. The general level of poverty has also reduced from 39% in 2004 to about 23% in 2021. Several government policies over the years have contributed. These include the Livelihood Empowerment Against Poverty (LEAP), the School Feeding programme, Free Compulsory Basic and Secondary Education programmes which have all contributed to the declining levels of poverty over the long term. It is the case that too many people in Ghana are still living in poverty, but many more continue to escape from poverty over time.

Human Development Index (HDI): The HDI, which is a composite measure of health, knowledge and standard of living, has seen steady improvements in Ghana over the last 20 years. Ghana's HDI value was 0.467 in 2004, classifying the country as a low-development nation. By 2023, the HDI had increased to 0.611, which reflects improvements in life expectancy (from 57 years in 2000 to 64 years today) and in education levels. Ghana is now classified in the category of medium human development, a significant leap from where it was two decades ago and reflecting better health, education, and living standards.

Quality of Life: Access to basic services such as electricity, clean water, and sanitation has increased significantly. In 2004, only about 50% of the population had access to electricity, but today more than 80% of Ghanaians enjoy this basic amenity. Improvements in healthcare and education have also contributed to a better quality of life, with life expectancy rising from 57 years in 2004 to 64 years in 2021.

Comparative perspective

The second reason for hope is perspective. Ghana is a small country among the 49 Sub-Saharan Africa (SSA) in terms of land size. However, its performance in the most relevant economic indicators compared to the average SSA country is mostly better. The average per capita income in the SSA is $1, 637 compared to Ghana $2, 238. The average person in Ghana earns more than in Nigeria ($1,621), Kenya ($1,950), Rwanda ($1,000), and Senegal ($1,746). However, the average person in Côte d'Ivoire ($2,867) earns more. In terms of poverty levels, the Ghanaian poverty rate is lower than the average in sub-Saharan Africa, which is around 40%.

When it comes to health, knowledge and standard of living, Ghana's HDI (0.611) is higher than the average SSA country where the HDI is approximately 0.547. HDI is significantly higher in Ghana than in Nigeria, Kenya, Côte d'Ivoire, Rwanda, and Senegal where HDI is less than 0.6. Access to education, healthcare, electricity, and basic services is generally better than in the average SSA country.

Although some countries in the world have leapfrogged in development in the last 40-50 years, most countries still need to go through the long process of development. Therefore, Ghana's general performance compared to its peers is worth noticing as a source of hope.

Conclusion

Let us say that there is a class that is preparing to take their BECE. If most of them believe that their school is among the worst schools, no one has ever passed the BECE in their school, and they will not pass, then they will not study. They will even disrupt the studies of those among them that are eagerly preparing. But if most of them know that they can pass and that many of their schools have passed the BECE in the past, it will positively affect the way they prepare for the BECE. Ghana may not be where many believe it should be at this point in its history, but it has come a long way and has not been left behind by its peers. Let us therefore fight to do better in all areas with the appreciation that we are making progress rather than with despondency and despair.

The process of development is messy, and we have to go through a lot of mess before the picture of development that we envision is fully formed in reality. When we are going through the mess, it can sometimes feel like that is all there is or would ever be. But that is not true. There is hope. What we believe and say about our future matters for what we do now and how our children will behave.

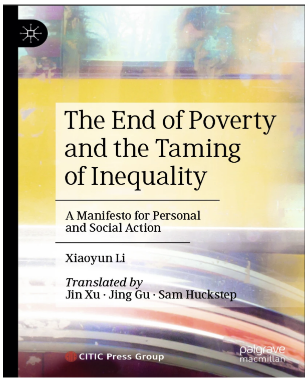
Henry Telli is a Senior Country Economist at the International Growth Centre (IGC) in Ghana.

Media Quotes

South China Morning Post (SCMP) in their article ‘Keen to move forward’: India, China signal thaw in ties with diplomatic, border efforts published on September 18, 2024 quotes **Dr. Natasha Agarwal**:

“India must invest time, money and effort in structural and institutional reforms ... [that] need to start delivering high-quality development rather than just ticking government boxes,” she said, adding that Delhi should “encourage joint ventures between Indian and Chinese firms, with technological transfers as the fulcrum of such partnerships”.

Recommended Reads



Reviewer: Paresh Batra, Co-Founder of The GSCF.

As a child, I grew up in Bangalore, now called Bengaluru, in India. I used to see poor people on street corners, begging. Street children would sit still with hungry and pleading eyes outside small eateries, waiting and hoping someone would hand over leftover food. I used to naively think: *Why cannot the rich just pay the poor enough so that they can live with the necessities of life: food, shelter, and clothing?*

Of course, I didn’t realise it back then, but I was looking at a huge problem through a very narrow lens as a child.

“Poverty is inseparable from inequality…”

Almost 4 decades later, I finished reading a book that took me back to those early thoughts. The End of Poverty and the Taming of Inequality by Xiaoyun Li. Honestly speaking, it is not just a book, but a journey. A personal and professional journey of a man who has spent his life trying to decode poverty.

Written in six chapters, Prof. Li, as he is fondly called, lays bare his life and experiences. The challenges faced manage to somehow make complex global issues feel deeply personal. His commitment and zeal for eradicating poverty are amply felt in every page of the book.

Born in China, which at the time was still finding its way out of economic hardships, Prof. Li is no stranger to poverty and stark reality. He has seen and felt it up close. He knows and understands the struggle, when it’s important to survive another day and still keep your dignity intact. Since he has overcome pain and suffering, his writing touches a deep chord in you.

This book is not about academic jargon. It is a conversation with his thoughts at different moments when faced with difficult decisions that could change the course of a certain village. The book is a conversation Prof. Li has with himself. He talks about the nuances and various forms of poverty. And in a way that everyone can follow. He doesn’t just say ”*here’s what worked*”. Rather he says *why* it worked, *where* it worked, and *who* made it work.

“Poverty is not caused by laziness: it is caused by structural access to opportunities.”

The discourse on the meta-question of

poverty is particularly compelling. Drawing from Rousseau, Weber, Marx, and Rawls, Prof. Li explores inequality as both a structural and a moral dilemma, not just a technocratic or an economic one. His discussion of 'modern ethics' and how traditional communities relate to them is nuanced and rarely addressed in the development literature.

This is not just a book for economists or development experts. It is a book for anyone who has ever asked why some people stay poor while others get ahead. It's for people who want to understand not just what poverty is but how it can be fought - not with charity but rather with dignity.

The last chapter, Chapter 6, in particular, speaks about **transformation**: not just of policies or economies but of mindsets. It is perspicuos in explaining that poverty is not just about lacking money. This chapter delves into how the Hebian village overcomes poverty. It humanises the data and makes abstract ideas concrete, showcasing tourism-linked housing, walnut oil production and communal cafés.

"The culture of poverty, once shaped inevitably, tends to perpetuate."

Critically speaking, there are clear translation gaps, is repetitive at places as also acknowledged by Prof. Li, and states localised issues which cannot be construed as a general issue of poverty elsewhere across the globe.

To me, this book is a quiet but powerful call.

Certainly a recommended read to change your ideas, notions, and perspectives on and about poverty.

Meet the Team

Dr. Natasha Agarwal holds a Ph.D. in Economics from the *University of Nottingham*, UK. She has worked in various renowned public and private institutions globally including *Oxford University* (UK), *The Centre for Advanced Financial Research and Learning* (Reserve Bank of India), and *Indian Institute of Foreign Trade* (Department of Commerce, Government of India). Her work has been widely published in journals, media platforms, and think tanks. As a co-founder, she now spearheads `The Global South Convergence Forum`.

Equipped with a Post Graduate Diploma in *Foreign Trade from The World Trade Institute*, Mumbai (India), **Paresh Batra** is a seasoned concept writer and serial entrepreneur. He brings on board years of industry experience and expertise. He is the co-founder of `The Global South Convergence Forum`

Mr. Sudershan Singal has pioneered many firsts in India's transport and logistics industry. Armed with more than four decades of experience, he brings substance to new and evolving thought processes as a consultant to `The Global South Convergence Forum`.

Rushali Bansal holds a Bachelor's in Architecture from *IP University*, Delhi (India). She seamlessly blends technical expertise with an artistic flair. Her designs are both aesthetically pleasing and functional. She manages the creatives for the `The Global South Convergence Forum`

Renisha Rana holds an MSc in Economics from *The University of Warwick*, UK. She has worked as a Teaching and Research Assistant at the University of Warwick. As a researcher on various high-profile merger cases/reports such as the labour market power report, Renisha has also worked with the *Competition and Markets Authority* (UK). Renisha supports economic research and allied processes at the `The Global South Convergence Forum`.

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