

Valedictory address by
Mrs. D. Purandeswari, MoS HRD(HE)
in the conclave on
“Building Skills For New Economy”
Organised by the Southern Region Chapter Of The
Confederation Of Indian Industry on 27th October 2007
At Hotel Taj Krishna, Hyderabad.

Distinguished guest and friends,

It gives me immense pleasure to be present here to day and address the valedictory session of the Conclave on “Building skills for the New Economy”. The subject chosen for discussion in the Conclave is very apt and timely because India, by all accounts, is fast emerging on the world stage as an economically powerful and a technologically vibrant nation firmly fixed on its way to global power.

The National Intelligence Council (NIC), a division of America’s Central Intelligence Agency (CIA), in its 2005 report entitled “Shaping/ The Global Future” avers that India and China will be the economic heavyweights of the 21st century. Barring a few upheavals in these countries, the rise of these two powers is a virtual certainty, according to the NIC. This bold and confident prediction comes in the wake of several other similar reports that also dwell on the inevitability of the rise of India and China. The talk of India attaining or aspiring to be an economic superpower is, therefore, not a mere daydream unrelated to the realities of the situation.

One stark aspect of the global power shift is the shift of manufacturing, from the West to Asia, in industry after industry. For instance, nearly two-thirds of world fibre production comes from Asia today, the same as the share of North America and Europe in 1980. Reflecting on the shift in production bases, nearly one-fourth of the world fuel demand now originates in non-Japan Asia, compared to just one-tenth in the mid-seventies. To take a more recent example, China, Thailand and India have contributed to 35 per cent of the increase in world vehicle production between 2001 and 2004. This Asian destiny is slowly manifesting in terms of the changing pattern of global GDP. During the past 30 years, the weight of global GDP has been progressively shifting away from North America and Europe towards the ASEAN region. The share of OECD Europe has declined by 5 percentage points, while that of the US and Japan has declined by one percentage point each. The average GDP growth of China and Korea over the past 23 years has been 9.5 and 6.7 per cent per annum, respectively. Judging by India's own fast growth, it is possible that by the middle of this century, India's share of global GDP will be the same as its population, making it the world's second largest economy.

The journey towards becoming an economic superpower is actually the outcome of conscious choices and efforts that we have made in the sphere of economic and social policies, especially during the past decade. Some of the signposts in the journey are quite spectacular. We have become the world's largest producer and consumer of a variety of industrial and agricultural products. Many Indian companies are winning international

recognition for manufacturing excellence, and in information technology, India has become a brand to reckon with. Most global corporations have established their presence in India, either for manufacturing or for research and development. The next few years, would see billions of dollars being committed to India in the form of foreign investment. Only a few days back, as per the **UNCTAD Report on World Investment Prospects for 2007-2009** India has emerged as the second hottest FDI destination of the world, next only to China, but ahead of Russia, USA and Brazil.

The further continuation of our economic journey will now depend on how we utilize all the factors that are advantageous, and also on how we pursue our economic reforms on the political and national fronts. We need to answer and address several, problems when we outline our development strategy for becoming an economic superpower in the global scenario.

India demographic dividend is a well known fact, wherein the labor force is growing much more rapidly than the overall population. But, we need to ensure that this demographic boon does not become a bane. This means that the pace of job creation or self-employment opportunities must increase at an exponential speed. With a growth rate of 9 per cent and a phenomenal growth in the manufacturing and IT & ITES (IT Enabled Services) sectors, there has been a growing demand for skilled manpower in India. In fact, according to a recent survey conducted by the FICCI, the competitiveness of Indian industry could be adversely impacted by a shortage of skilled, semi-skilled and unskilled workers. The four areas which can contribute tremendously to job creation are textiles, agriculture

(including agro-processing), construction and retail. This calls for unshackling all constraints in these four sectors. Manufacturing in the next decade is expected to create 25 million jobs. The IT/ITES is expected to create over four million jobs in the next few years. Apart from these sectors, there are of course sectors like, communication, biotechnology, food-safety, agricultural science, refrigeration and automobile mechanics, to name a few, all of which need trained hands.

There is an acute shortage of scientists with doctoral degrees in biotechnology, biochemistry, molecular biology and medicinal chemistry. In food processing, there is need for people with basic qualifications, like electricians, fitters and refrigeration plant operators, as also of food microbiologists, engineers and research technicians. In the oil and gas sectors, there is a shortage of chemical, electrical, civil and construction engineers. There is also a shortage of environmental scientists. These are the major gaps that require to be filled.

In his Independence Day speech, 2007 Prime Minister Manmohan Singh talked about creation of 10,000 new vocational schools – apart from the 9,500 existing ones that need to be run efficiently. More recently, at a Planning Commission meeting, he mentioned that the government had “slipped” in its commitment to providing vocational education.

The Planning Commission has also proposed to expand the capacity in vocational education from 9,600 to 20,000 schools, including industrial training institutes, thus increasing intake from 1 million to 2.5 million

students by 2011-12. This is encouraging, but then they need to be matched by higher resource allocations without which these numbers have no meaning. The proposed outlay for higher education in the Eleventh Plan is Rs. 84,743 crore and the overall provision for education in the Eleventh Plan amounts to Rs. 2.5 lakh crore – a four-fold increase over the Tenth Plan outlays.

It is well known that high growth is supported by high capital stock. But, an increasing share of that capital stock is in the form of human capital. In a country like the US, more than three-fourths of capital stock is accounted by human capital. This is an outcome of higher literacy, skills and training. In India, we are still short of attaining the targeted level of investment in education which is around 6 per cent of GDP. We shall have to see that no child in India has to skip school for the sake of pursuing a livelihood, and no student ought to be denied an opportunity for higher education for lack of funds. India is already a "knowledge economy" brand and this entails greater responsibility. The connection between human capital and GDP has been validated by the World Bank, which examined per capita income data for 121 countries and linked this with its Knowledge Economy Index.

Our productive process and the ability to serve global markets are increasingly handicapped by the poor state of infrastructure and public goods. This includes water, sanitation, electricity, transportation, law and order and governance. Clearly these cannot be provided by any private organization, or through a market-based competitive system. While foreign

and domestic private capital can flow into infrastructure, the actual provision of the public service has necessarily to be in the public domain. Among the many infrastructure sectors, electricity remains a drag on our competitiveness. A detailed survey by the World Bank has found that manufacturers in India face nearly 17 significant power outages per month, as against only one per month in Malaysia and four in China. Nine per cent of the total of output is lost due to power breakdown, compared to 2.6 per cent in Malaysia and 2 per cent in China. Outages are so frequent and long, that not having standby diesel generators is unthinkable in India. Generators account for 30 per cent of business in the power sector. Electricity is but just one example. The inadequacy in infrastructure is virtually across the board. Here, I must mention that the startling successes that we achieved-in telecom, for instance, can be attained in other infrastructural sectors too.

India, perhaps, stands unique in the degree of its diversity. Apart from racial, cultural, linguistic and social diversities, different states in India also tread different paths toward economic progress. Yet, it is the largest democracy in the world-noisy, chaotic and slow though it may be at times. But even under these conditions, market forces have struck solid roots. Such is the resilience of market forces, that for more than two decades they have been driving the economy ever higher, notwithstanding periodic political and ideological aberrations. Underpinning the forward movement is India's commitment to democracy. That a nation of a billion people, ranging from the super-rich to the abysmally poor, continues to practice what may be the world's most open system of government is little short of a

miracle. Democracy gives a lot of stability to the economic situation. Once you are answerable, you are more careful.

The past few years have proved that the thought of India becoming an economic superpower is no longer outlandish though we could argue for the timeframe. We could argue about the timeframe. But the possibility is real, almost inevitable. That said, we cannot afford the luxury of overconfidence-and the complacency and hubris that come with it. A lot of groundwork still has to be done. Exciting as the prospects are, the road ahead is extremely challenging. We have to stretch the canvas every way we can. Our dreams have to be audacious. Our ambitions have to have that essential element of the 'killer instinct'. And-in tune with the pace with which things move today-we have to take a quantum leap in the speed with which we do things. We certainly have the luxury of having the essential endowments and competencies that go into building a successful, global economic power. What we don't have is the luxury of too much time.

With these words, I congratulate the *CII* for arranging a national dialogue on a subject of such vital importance so that deliberations thereof could provide critical input to our policy planners and for drawing up appropriate strategies for development and growth.

JAI HIND