

Keynote address of Smt. D. Purandeswari
MoS (HRD-HE)
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Hon'ble Distinguish Guest and Friends,

I deem it a great privilege to have been called deliver upon this Keynote Address at this prestigious International Conference of the Asia Education foundation at this Historic city of Delhi the seen of the Conference is Global India. And the subject matter is India: an Emerging Superpower, which is of extremely topical significance in this present Scenario.

India is emerging on the world stage as the largest economically powerful, culturally vibrant, multi-ethnic and multi-religious democracy. With a population of over 1 billion people, an expanding middle-class of 300 million and GDP growth rates of over percent, India cannot be ignored. Together we are building a strong and resurgent nation whose confident march forward is being keenly watched by the whole world. What has expedited India's growth is its ongoing economic revival.

Our tryst with economic reform and new era of labialisation started years back in the last decade of the last century under the dynamic leadership of the Finance Minister whom, incidentally we are fortunate to have to-day as our Prime Minister. At the time of launching the new economic policy. Our Prime Minister Dr. Manmohan Singh, the pioneer of economic reforms **“In India has observed this programme is for a self –reliant India; an India that in few years time can boost of having eliminate poverty; an India that provides dignity and skills to its children; an India that emerges as a vigorous participant in the global**

economy and plays a role of leadership in the comity of nations; an India that has an economy commensurate with the size, human resource and its potential.” (unquote)

What has expedited India's growth is its ongoing economic revival. The political will to forge ahead with these faster second-generation reforms is more evident today. It shows in ways that reach down to all levels of Indian society, but especially the affluent middle class — estimated at over 200 million, or equivalent to the entire population of Indonesia. We have perhaps the largest middle class in the world — and it is going to expand rapidly. After graduation, every second fellow is not looking for a job in government, but trying to get into a higher institution.

Of a top degree. According to Asia week ranking, two of Asia's top ten MBA schools are Indian (Ahmedabad is no No.1 and Bangalore No. 5), and fully five out of the ten best science and technology schools are Indian (Bombay, Delhi, Madras, Kanpur and Kharagpur), Recalls Jaitly: “When I went to School, people would talk of the ten elite schools you would want to go. Today we have a choice in New Delhi alone of 400 . Even Indians who studied overseas are returning.”

Today new breed of Indians are embracing a liberating, anything-is-possible atmosphere. To succeed in today's India, you don't need a legacy of wealth or connections. You just need to be good. And that is what a growing number of Indians are, from CEOs to production line After two decades of decline, manufacturing productivity increased in the 1980s and again in the 1990s. So India's growth is really productivity-led, rather than investment-led. And it is finally bearing a rich harvest.

A major obstacle is widespread, abject poverty, especially in the according to the U.N. Development Fund, some 53% of India's population live on less than a dollar a day – the World Bank's

definition of dire poverty. That compares with 37% in China. The poorest Indians are concentrated among landless agricultural laborers, those with unviably small land holdings, the rural and urban unskilled, the disabled, and the chronically sick in destitute families. Despite the greater numbers of poor peasants, urban poverty is causing more concern.

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. Add on the independence of national institutions and it is evident that India's civil society has a sturdy moral backbone. Democracy gives a lot of stability to the economic situation. You are answerable, so you are more careful. But it does slow the decision-making process. That has been the bane of India's development in the past. Yet few Indians would sacrifice their freedoms for faster development. Indians value things like freedom of speech and democracy, which some countries in Southeast Asia haven't valued to the same extent.

Geopolitically, India's importance is as a bastion of democracy and a counterbalance to China. The U.S. has come to understand us better. We have proved that democracy works in Asia. But ties with Beijing remain edgy. Yet, the minister adds, no one is really a threat to India today. We are growing too fast. Still, it irks Indians that China often gets better press – and more investment. Says Ahluwalia: “The Chinese always look so much better than they really are because they sweep the right things under the carpet and say the right things. Whereas India never looks as good as it is economically, because we are so complex, so open, so diverse.”

Many Indians already think of themselves as second to none in Asia. Combine that with the economic boom and you have a

recipe for the current mood of euphoria. But it is tinged with doubt. “We’ve been on the launch pad a long time; we’ve now ignited.” “The key is whether we’ve got lift-off velocity.” There is little likelihood of going back. Says Seth: “We have traveled too far to tolerate resistance of any kind to the economic reform process.”

Besides, there is a sense that no sector of Indian society wants to back-pedal. “If you visit villages today, you will find long-distance telephone booths.” “Soon there will also be a television, an internet connection, and they will become communications hubs. There is no resistance to technology.” That why India is surging ahead. As Seth notes: “The rapidity of change over the last two years has been far greater than in the preceding 50years.” Imagine what the next two years will bring, let alone the following 50. Those who ignore India’s rise do so at their own peril.

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 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. China alone now accounts for one-fourth of the global steel and aluminium demand, nearly one-third of the coal demand and 40 per cent of cement consumption.

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. This indeed was the case in early 1800s. Two centuries on, we seem to be in the process of coming a full circle!

The journey towards becoming an economic superpower is actually the outcome of conscious choices 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 a presence in India, either for manufacturing or for research and development. In the next few years, I see billions of dollars being committed to India in the form of foreign investment. In the short span of seven years, we have gone from being a state on which sanctions were imposed-in the wake of our 1998 nuclear tests-to one which has signed a special nuclear treaty with the United States. Our continuing progress in nuclear and space sciences lends further legitimacy to our claim for membership in the UN Security Council.

The continuation of our economic journey will depend on how we utilise all the factors that are advantageous, and also our political and national will to pursue economic reforms. Going forward, we need to answer the following five questions, as we develop a strategy for becoming an economic superpower:

India's demographic dividend is a well known fact, wherein the labour force is growing much more rapidly than the overall population. But, we need to ensure that this demographic blessing does not become a curse. This means that we must ensure that the pace of job creation or self-employment opportunities must increase at an exponential pace. 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, as well as ensuring the flow of large investments into these sectors. More than half of India's labour is self-employed, so we also need to encourage and nurture entrepreneurship. To create ever higher value adding jobs, we must chart a path towards becoming one of the few global manufacturing hubs. The global mega trend of outsourcing is waiting to be harnessed, and we must latch on to this tide. We must be able to widen the field to include engineering, chemicals, metals and textiles-in addition to the strides we have made in information technology and auto ancillaries.

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-around 6 per cent of GDP. No child in India must have 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; yet, many it companies are worried about ensuring adequate supply of trained manpower. Some companies have integrated backwards and started technical universities. I believe we need to facilitate the emergence of private vocational and technical training institutes in order to meet the huge demand emerging for trained manpower. 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 prowess 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. These goods cannot be provided by any private entity, or through a market-based competitive system. While foreign and domestic private capital can flow into infrastructure, the actual provision of the public service is necessarily 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, versus 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 power consumption in many cases. Almost 61 per cent of Indian manufacturing firms own generator sets; the figure for Malaysia is 20 per cent, while in China it is 27 per cent, and in Brazil 17 per cent. Moreover, India's combined real cost of power is 74 per cent higher than Malaysia's and 39 per cent higher than China's. Electricity is but just one example. The inadequacy in infrastructure is virtually across the board. Here, I must mention the obvious and startling successes we have achieved-in telecom, for instance. The point is we can do it.

In countries like Japan and Korea, the government was an active partner in helping industry attain global status, in the earlier stages of their development. Even us foreign and international trade policies are largely aligned with the business interests of us corporations. The short point here is that in the era of globalisation

and international trade competition, corporations and nation states have to develop winning partnerships. We are seeing some manifestation of this in our oil security strategy, wherein our national oil companies are scouting the world aggressively for acquisitions. That is the way to shape our policies, going forward- so not only do they support economic reforms and freedoms, but also proactively facilitate the emergence of global Indian corporations. The Indian Brand Equity Foundation (IBEF) points in the same direction.

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 differences.

Nobel laureate Amartya Sen has said: "Public reasoning is essential to democracy. It is intimately connected with public discussion and interactive reasoning-traditions which exist all over the world." Arguing against the theory that democracy was a quintessential Western concept he said: "There are two ways to see democracy-one, the narrow view that interprets democracy in terms of voting and majority rule and the second, broader view, which sees it in terms of public reasoning. The argumentative heritage in India is an important asset, which we will be wise to invoke and utilise."

China is already much bigger, and has been quietly and consistently growing at 9 per cent per annum for almost two decades. But, China has a very different political system. And that may be one of the reasons that the West pays more attention to

China. India, which has recently been growing as fast as China, and which also has a similar population size, hardly fills the West with the same foreboding, because it is a democracy, and, as we are continually told, democracies "never go to war with each other".

I believe the past few years have proved that the thought of India becoming an economic superpower is no longer outlandish. 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.