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INDIA AND THE EMERGING GLOBAL ORDER

A custodian of the history and glory of an ancient civilization spanning more than 4000 years, India has shared with the world the richness of its spiritual heritage and wisdom of the ages which has inspired the magnanimity of its nationalism. 59 years after we made our "tryst with destiny", India stands today on the threshold of a new journey - to becoming a responsible global player willing and able to play its rightful role in the shaping of a new multipolar world order.

The largest democracy of the world, home to a billion people with 22 spoken language and 844 different dialects has retained its unity amidst its many diversities. The resilience of its democracy is defined by a non-negotiable commitment to basic human freedoms and dignity of the individual. " Indeed" it is a land where freedom is a never-ending frenzy" The history of free and modern India reflects an unrelenting pursuit of the nation's cherished ideals of liberty, equality and fraternity.

As we enter the 21st century a confident India, basking in the glory of its heightened relevance in the comity of nations seeks, as Prime Minister Manmohan Singh stated "a new paradigm of international cooperation relevant to an emerging multipolar world....." We have, thus, forged strategic partnerships with the US, EU, Russia, China and Japan. The Government's "Look East Policy"

has enabled India to achieve a much closer economic interaction with the ASEAN. In concluding a Framework

Agreement on Economic Cooperation with ASEAN in 2003 and recently with Singapore India is moving fast to eventually create an Asian Economic Community which is envisaged as the "arc of prosperity" in the region. Government is in the process of setting up a Joint Study Group for conclusion of Free Trade Agreements with Malaysia, Indonesia, Japan and the Republic of Korea apart from examining ways to develop regional trade arrangements with China. The South Asia Free Trade Agreement (SAFTA) has been launched. A Free Trade Agreement is being explored likewise with the Gulf Cooperation Council (GCC). The centre of economic gravity having shifted to Asia, India is determined to be a leader in this century that beckons Asia.

In pursuit of its destiny based upon the appreciation of its enlightened self interest and consistent with its non-negotiable values, India has signed a historic agreement with the United States - the most powerful democracy of the world. The recently concluded Indo-US Civil Nuclear Energy Agreement is aimed at ending India's nuclear isolation and will ensure a quantum jump in our energy generating capacity with a consequential impact on our GDP growth. The deal will enhance our capabilities across the entire energy spectrum - from clean coal and coal - bed methane to gas hydrates and wind and solar power. This new partnership with the US encompasses India's participation in the Future - Generation programme for Zero Emission thermal power plants and the Integrated Ocean Drilling

Programme for gas hydrates. The launching of the Knowledge Initiative in agriculture will enable us to build capacity in bio-technology and will hopefully, be the harbinger of the second green revolution. An evolving strategic partnership with the US would thus expand our capabilities in the fields of

agriculture, economic and trade cooperation, energy security and clean environment, innovation and the knowledge economy, apart from resulting in a purposive engagement on issues relating to global safety, security and the deepening of democracy globally.

Recent visits to India of Presidents Bush and Chirac, Prime Ministers John Howard of Australia, Michael Fradkov of Russia and Koizumi of Japan testify to India's increasing relevance on the world stage as a major power.

ECONOMIC PERFORMANCE

Available empirical evidence about the expanding reach and depth of our economy tells a convincing story. Indian economy has grown by over 6% per annum in the post-reform period. It has grown by 8.5% in 2003-04, 7.5% in 2004-05 and is projected to grow further by 8.1% this year. Besides services, manufacturing continues to fuel economic growth, with the manufacturing sector expected to grow by 9.4% this year, over the 8.1% growth recorded last year. India is home to 27 billionaires and 70,000 millionaires with foreign exchange reserves at US\$ 145 billion. Exchange rates are stable and inflation is under control. Non-food credit is growing at over 25% p.a Capital goods sector is growing at double digit levels for the last four years. Investments proposed, vide the Industrial Entrepreneur Memorandum, in 2005 is of the magnitude of Rs.354,000 crores three times the amount in 2003. With the investment rate in Indian economy having risen to 30.1% in 2004-05, the economy is now poised on the high growth trajectory of 8-10%.

ECONOMIC FORECAST

According to a recent study by Pricewaterhouse Coopers, Indian economy is expected to be the second largest in the world by 2050 in purchasing power

parity terms, after China. According to one forecast, India could achieve a per capita income of US\$ 30,000 by the year 2047 assuming a dollar-rupee exchange rate based on purchasing power parity. In a 1998 study Prof. Rosenswerg has estimated that by the year 2025 India's GDP could exceed that of Japan and it could be the third largest economy in the world behind US and China. Goldman Sachs Report, "Dreaming with BRICs" had also attested to India's growing economic potential, as did the Report of the National Intelligence Council of USA. The Report "Mapping the Global Future" confirms the increasing relevance of India in the emerging global economic order.

GLOBALIZATION

A purposive response to the challenges of globalization has been to India's benefit on an overall basis. The technological revolution has ensured that geographical distance and factor endowments do not impede our growth. Global mobility of capital, a high domestic savings rate and our leadership in the knowledge based services resulting in 'the death of distance' has added to our competitive and comparative advantages.

FOREIGN TRADE

India's merchandise trade was in the region of US\$ 190 billion with US\$ 80.5 billion of exports and US\$ 109 billion of imports. India's exports are growing at over 25% while imports are growing at over 35% per annum. The manufacturing sector, accounting for close to three-fourths of export continues to fuel export growth. Including services, India's engagement with the world economy was US\$ 250 billion last year. Our foreign trade policy aims at doubling India's share in global merchandise trade by 2009. Export of Indian software

and services sector was US\$ 17.2 billion in 2004-05, an increase of 34% over the previous year.

FINANCIAL SECTOR

Banking Sector reforms and an effective regulatory regime have ensured parity with international standards in banking. As a percentage of gross advances non performing assets in the banking sector have been reduced to 5.2% in March 2005 as against 7.2% in March, 2004.

DUTIES & TAXATION

Rationalization of customs duties and their reduction to near ASEAN levels, initiatives for modernization of tax administration, introduction of VAT in 21 States since last year, huge capital outlays for infrastructure development including in education and health, a liberal FDI policy and the setting up of Special Economic Zones with the purpose of boosting specific industrial and economic activities are expected to further promote the expansion of our economy.

DEMOGRAPHIC PROFILE

India's demographic profile, with 54% of its population below the age of 25% and with about 25 million people joining the middle class every year, augers well for the economy.

MANUFACTURING AND INVESTMENT

While services have received widespread recognition, Indian manufacturing is being recognized as globally competitive. In his address to the Asia Society Conference in Mumbai, Prime Minister Manmohan Singh pledged to make the Indian manufacturing industry globally competitive and to make it the driving force for employment and growth. The President in his address to Parliament likewise committed the Government's special attention to the growth of manufacturing and employment generating capacities in the industrial sector throughout the country. AT Kearney FDI Confidence Index 2005 rated India as the 2nd most attractive destination for manufacturing. FDI prospects survey reported in UNCTAD's World Investment Report, 2005 also found India as the 2nd most preferred location among transnational corporations. India continues to be rated as the most preferred off-shoring destination in AT Kearney's 2005 Global Services Location Index. A survey conducted by the Federation of Indian Chambers of Commerce & Industry recently found that over 70% of the companies were making profits while another 12% were breaking even. As many as 69% of the responding companies had realized their profitability targets. According to Eurostat estimates, in 2003, the rate of return in case of EU investments in India was 13%, against the international average of 6% and 8% in the Far-East Asia.

INDIA AS AN INVESTING COUNTRY

With a strong economic performance and the growing competitiveness of its industry, India is emerging as an investing country as well. The policy on Indian investment overseas has been progressively liberalized to encourage our industry to access new markets and technologies, increase their global competitiveness, and achieve international scale of operations. Indian corporates are now allowed to invest up to 200% of their net worth overseas via the automatic route and investments overseas have witnessed a quantum jump from

US\$ 1.45 billion in 2003-04 to US\$ 2.45 billion in 2004-05. For instance, Indian investments in the United Kingdom in 2004-05 at US\$ 141 million were more than UK investment of US\$ 101 million in India.

The NREG programme makes gainful employment as an enforceable legal right for millions of our unemployed involving an expenditure of thousands of crores. Even while committing huge resources in the cause of serving overarching national goals we have ensured that the fiscal deficit is contained.

Challenges remain, however. High oil prices, rising interest rates imponderables of the external environment, naxal violence, acute poverty of a large segment of our population and the infrastructure deficit in roads, ports and in power stare us in the face. We cannot escape as yet an "India of dispossession and denial".

SUMMATION

To fulfill our 'tryst with destiny', now indeed, the moment for India to seize, when most factors of national power seem to converge in its favour. We need to proceed on the basis that our future will be shaped by a relentless pursuit of enlightened self interest defined by the nation's ability to marshal its religious, cultural and social values to secure the foundations of our Republic. We must invoke our 'soft power' i.e. the power of our culture and values alongside the nation's economic strength to play a larger role in the comity of nations.

"Civilization", explained historian Coomaraswamy, "consists not in multiplying our desires and the means of gratifying them, but in the refinement of their quality. Industry, per se, is no advantage. The true end of material civilization is not production but use, not labour but leisure, not to destroy but to make possible spiritual culture..."

As a nation we see our goal not in the production of things but in the lives of our citizens. By remaining firmly anchored in our civilizational ethos and remembering always that the pursuit of power is justified only by the ends to which it is applied, will the Indian nation state realize its optimal potential. While we bask in the glory of our national accomplishments, we must not allow the "frenzy of the forces of change" to distract us from a vision centered on those who live on the margins, nor must we fail to cherish diversity in our unity We must not mistake " living standards for standards of life"..

Above all, as Rajiv Gandhi reminded us, we cannot rest as long as there are "millions of faces in varying moods of joy and sorrow, of eager expectation" "We cannot rest", said Jawahar Lal Nehru, "for rest is betrayal of those who have gone and in going handed the torch of freedom to us to keep alight, it is betrayal of the cause we have espoused and the pledge we have taken; it is betrayal of the millions who never rest; We cannot rest."

(ASHWANI KUMAR)