

“The India Growth Story: Challenges of a Pluralist Democracy”

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History, as Carlyle reminds us is the essence of innumerable biographies. In this sense, Jawahar Lal Nehru was both a product and an agent of history. The indelible imprint of his thought and leadership in moulding the conscience and scripting the story of modern India qualifies him as Gibbon’s heroic genius who was at once, “the voice and index of his time, the inheritor and interpreter of the past, the guide and pioneer into the future.....” The thoughts that I share with you today are by way of obeisance to the statesman in Nehru who awakened the hidden will of his people that shaped the institutions of our inclusivist democracy. Sans the blemishes, this presentation is a humble tribute to a great son of India whose unswerving commitment to intellectual integrity has ensured an enviable openness to cross cultural osmosis – a tradition fostered and preserved by institutions such as the ICCR, which Nehru envisaged and invested in.

2. The preponement of the advent of 21st century made possible, as Eric Hobsbawn reminds us, by the transforming changes of globalisation, liberalisation and technology in the 1990’s necessitated a choice between multiple approaches to modernity and growth. We opted for a path that would enable us to embrace “cutting edge strategies” to harness the opportunities presented by globalisation and to construct at the same time a matrix of economic development by which those who remain on the margins of existence are integrated with the mainstream. As we move forward in shaping the policies that would optimise India’s economic potential our effort has been to ensure that the imperatives of social justice, inter se equities between different stratas of

society and indeed intergenerational equities are achieved. Nehru's vision of inclusive growth which placed the welfare of "the unhappy dispossessed millions" at the centre of our concern has been the guiding light throughout. We recognized that accelerated economic growth alone would enlarge the cake of prosperity to ensure distributive equities on a vast scale. Hence, the process of economic reforms which started with a calibrated deregulation of the Indian economy in the 80's was reinforced in the decade of the 1990's to deliver one of the most celebrated success stories of the early 21st century.

The empirical evidence of India's economic growth is indeed compelling. To an empiricist's delight let me re-state and index a few facts. India has emerged as the world's 10th trillion dollar economy growing at an annual GDP of over 8% on a sustained basis. It is the second fastest growing economy of the world. It is anticipated to become the world's 5th largest consumer market by 2020 and the third largest economy of the world by 2035. It is home to 20% of the world's population under the age of 24 with over 58% of its population in the working age group. This demographic dividend is expected to add 0.5% to 0.8% to its GDP growth annually in the years ahead. In terms of purchasing power parity, its middle class is growing annually by 15 to 20 million and slated to more than double by the end of 2010, from 6% of the population to 12-13%.

3. The competitiveness of our economy is affirmed by the fact that the economic growth rates have been achieved with half of China's level of domestic investment which testify to superior efficiencies in the allocation of capital. We have achieved levels of European productivity at 20% of the cost. In terms of labour arbitrage, India remains competitive vis-à-vis its South Asian neighbours. Studies have found that for a Japanese auto maker equipment designing is at least 20% cheaper in India when compared to any other developing country. Like wise, a full-fledged manufacturing facility could be set up in India at about 60% of the cost in a developed market. India's innovative capabilities have

attracted global leaders such as BMW, Toyota, Honda, Shell, Unilever, Hewlett Packard and the likes, to establish world-class R&D centres in the country. A Boston Consultancy Group(BCG) study has found that of the hundred corporate challengers in the emerging economies, 21 are Indian companies. The global footprints that Indian corporates have been able to establish are a matter of celebration. The acquisition of Corus and Land Rover by the TATA Group and the proposed bid of Bharti Telecom and Reliance Infocom for MTN have convincingly demonstrated the global reach of our corporates. Bharat Forge is the world's second largest forging company. Hindalco is Asia's largest producer of finished aluminium. Hero Honda is the largest manufacturer of motor cycles in the world and TISCO is the world's cheapest producer of steel. Ranbaxy of India is among the top 10 generic companies while WIPRO and Infosys remain world leaders as software and services companies.

4. Our engagement with the world economy in terms of international trade is a little less than 400 billion dollars so that our external trade constitutes about 40% of our GDP. Our foreign exchange reserves are in the region of 325 billion dollars with the gross capital formation as a proportion of GDP rising to 12.5% in 2006-07 from 10.2% in 2003-04. In 2007-08, the country received over US\$ 25 billion in FDI, the largest ever so far. In 2007, the total value of M&A and PE deals was US\$ 51 and 19 billion respectively. India's services sector which accounts for over 55% share in our GDP has the potential of generating an additional annual income of 200 billion dollars by 2020 and creating 40 million jobs as per a Planning Commission study. Between 1990 and 2007 SENSEX rose 20 times and the growth in agriculture during the last three years is about 4% as against 2.6% in the earlier three years. An estimated 1 trillion dollars are likely to be invested in strengthening our physical and social infrastructure by 2017. We have embarked upon one of the most ambitious Government-sponsored programmes of social and economic empowerment of the poor in the form of National Rural

Employment Guarantee Scheme, the Bharat Nirman Programme, the Jawahar Lal Nehru Urban Renewal Mission, and the National Rural Health Mission.

5. This spectacular record of economic progress is underscored by the fact that we have been able thereby to lift 1% of our poorest above the poverty line every year over the last two decades so that approximately 431 million people have been moved up from the bottom of the pyramid. Another 290 million more are likely to benefit by 2020. India's Gini Index on a scale of 0-100 is 33 compared to 41 of the US, 45 of China and 59 of Brazil, which demonstrates that the level of inequalities in India are comparatively less than in some of the other emerging economies. The 61st Round Survey Report by the NSSO has concluded that the number of persons employed as a percentage of the total population has increased by 2.85% per year between 2000 and 2005, well beyond the current population growth rate. We are informed that India's per capita income in 2050 would increase by 35 times over the current levels. It is, therefore, no surprise that a survey by Pew's Global Attitudes has found Indians to be amongst the most optimistic people in the world.

6. But what makes the Indian story unique is the fact that it remains firmly anchored in the Nehruvian vision of an egalitarian society, in which, a La Vaclav Havel “.. humanity's rightful dignity and moral integrity” is never to be compromised. While we have integrated with the world in the spirit of ‘Vasudev Kutumbhakam’, we have not forgotten the difference between living standards and standards of life of which historian Coomaraswamy has constantly reminded us. In seeking our future we have not taken a “holiday from history”. We have, as promised by Nehru, repudiated the extremes, given to our people enhanced choices and have sought constantly to unite the nation by an unequivocal commitment to the core values of the Republic. We rejoice in our noisy democracy as a celebration of differences. We seek to comprehend reality in a ‘ray of colours rather than in binary opposites; and we defer to the idea of a

confluence of civilizations rather than a clash of civilizations. We hold forth our belief in the self correcting mechanisms of democracy and the legacy of liberalism.

7. The journey has been long and arduous. A large part of our population remains impoverished. 45% of our children under the age of five are malnourished. Diarrhoea still kills over 4,50,000 people a year. Our ranking in the UNDP's Human Development Index is still low. We have miles to go before we can sleep. Nehru's pledge to the nation remains only partially redeemed. The grave challenges of the century, viz, terrorism, pandemics, deprivation, ethnic and religious strife, environmental degradation, hunger and human rights violations caution us against what Theodore Roosevelt described as a life of "slothful ease".

8. In relation to our progress and the challenges that confront us allow me to quote Jawahar Lal Nehru: "The Future", he said, "is not one of ease or resting but of incessant striving so that we may fulfill the pledges we have so often taken ... The service of India remains the service of the millions who suffer. It means the ending of poverty and ignorance and disease and inequality of opportunity ..." It is for us to ensure that our secular ideal triumphs over the false deities of religion. It remains for us to see that "angry Gods and misread scriptures" do not divide us. For Nehru's India to prevail, a strengthened tradition of intellectual heterodoxy and democratic discourse remain the absolute imperatives. Finally, the new and daring India that lives in the optimism of our hearts must also be a caring India. A relentless pursuit of this ethical imperative will be the ultimate validation of Nehru's life and struggle.