

Integrating India the way to go



BY INVITATION

By TARUN DAS
FOR THE STRAITS TIMES

ON THIS day – Aug 15, 2012 – 65 years after its independence, how does India look? What are the distinguishing features?

After 44 years of “socialism” between 1947 and 1991, a protected and controlled economy gave way to liberalisation, deregulation and a gradual opening up.

From 3 per cent annual gross domestic product (GDP) growth, it soared to over 9 per cent but is now down to 6 per cent. In growth terms, India’s 7 per cent redline – a threshold convention said to be needed to keep India on an even keel – has been crossed with this decline.

Sentiment and investment are down. The Finance Ministry’s new leadership, the centre of economic policymaking and management, has a hugely challenging task ahead.

Still, early signs give hope of a turnaround. There is a strong possibility of returning to 7 per cent growth with investments bouncing back from both foreigners and locals. There is already a significant upswing in sentiment with the finance minister’s first statement, with India expecting a return to higher growth in 2012/2013.

This is important – for India as well as its country partners.

Until the 1990s, the Indian economy was propelled mainly by manufacturing, agriculture and infrastructure.

Since then, the new game in town has been services, which now account for more than half of GDP. This sector is still growing at over 10 per cent annually.

The number of sectors is multiplying, for instance, education, training, health care, media, engineering services, industrial services, consulting, legal services, accountancy, financial services, and films and entertainment.

There seems to be no end to the explosive growth in services. This development, a relatively new phenomenon, is transforming India’s employment and economic landscape with services playing a significant role.

Indian business, beset by low self-esteem and self-confidence, had pressured policymakers to keep India closed – to avoid international and even domestic competition.

Even today, there is pressure to go slow in opening sectors such as retail, insurance, banking, defence and foreign investment.

But there is now confidence in dealing with competition as the private sector has taken a central role. There is a corollary: investments and acquisitions overseas, and the growth of Indian multinational corporations.

The favourite destinations are the United States, Singapore and Britain. Growing comfort with globalisation is matched by the ability to compete in markets worldwide. This is a very new feature for India.

For the first 50 years of independence, India’s dependence on imported technology, except in



Customers doing grocery shopping in Zirakpur, in the northern Indian state of Punjab. There is now widespread recognition that social reforms alone will not feed India’s 1.3 billion population but must go side by side with economic growth. PHOTO: REUTERS

space and atomic energy, was excessive. Indian industry took a while to understand that joint ventures were not a shortcut to technology acquisition.

The research and development culture, indigenous technology development and the ability to innovate and produce low-cost goods and services – all this has happened over the last 10 years of competitive pressure.

Also, there is growing understanding that access to foreign technology requires India to allow companies majority equity and control because technology is precious. This new focus is pointing to a future very different from the defensive policy of the past.

And with this understanding is the acceptance that it is a long haul. Innovation and technology have increasingly taken key roles in India’s development.

The country’s 500 million young people, below 30 years old, are a different breed altogether: They are impatient, have high aspirations and are entrepreneurial. They have no baggage from the colonial years. Ready to compete

and take on the world, they are a new Indian “model”.

Push for an open, fast-moving India

IN THE next 10 years, India will have to provide skills for hundreds of millions of young people; it will be unprecedented in scale.

In this, technology will play a crucial part. Gone are the days of the patient, tolerant, forgiving Indian. The Next Gen wants 10 per cent growth! And they are willing to work 24/7. National leadership has yet to come to grips with this.

“Isolation India” was deeply suspicious of free trade agreements (FTAs) and open markets. “Integrating India” has already concluded FTAs with most South Asian countries, Asean, Japan and South Korea. A pact with the European Union is under negotiation.

China cannot happen until there is clarity about the pricing policies and market processes. And India is ready to start talks with the US. This is a major shift in India’s trade and competition

strategy, reflecting new confidence that India will gain only from FTAs.

The indications are that more FTAs will be negotiated and concluded. Investments in India by Pakistan have also been opened – a milestone for the region and another significant directional change for India.

These are just a few emerging trends as India completes 65 years as an independent nation, facing challenges of governance, infrastructure, inflation, security, poverty, education and health, to name just a few.

India has every problem imaginable. But it is also trying to build a different development model to raise living standards and the well-being of all its people, urban and rural, middle class or poor. Inclusive development is the focus with a long winding road through democracy towards this goal.

The lack of political consensus makes it more difficult to cope with some of these issues since the adoption of new laws calls for majority support in Parliament.

India has now become deeply

conscious of two critical priority areas – high economic growth to generate resources for development, and a strong defence establishment to ensure national security. Both these realisations came to India somewhat belatedly.

After the 2009 general election, the eye on the economic growth ball definitely wavered. This has cost India heavily with declining growth.

There is now widespread recognition that “social reforms” alone will not feed the 1.3 billion population but must go side by side with economic growth, which provides the resources for inclusive development.

“Integrating India” globally is the only way forward in a globalised world. “Isolation India” is now history.

The writer headed the Confederation of Indian Industry (CII) for more than 30 years, stepping down as chief mentor in 2009. The CII has international offices in several countries, including Singapore, China and the United States.

By Invitation features leading thinkers and writers from the region and Singapore.

Fears of a new global food crisis

By MICHAEL RICHARDSON
FOR THE STRAITS TIMES

A SUDDEN surge in some food prices following bad weather in the United States and other producing countries has raised concerns about a repeat of the global food crisis five years ago that increased poverty, sparked riots and challenged governments in parts of the Middle East, Africa and Asia.

The US and France will decide later this month whether to organise a meeting of experts from the Group of 20 (G-20) leading economies to discuss surging grain and soya bean prices. Much of this cereal output is fed to livestock, poultry and farmed fish in China and other major Asian importers.

If feedstock prices continue to rise, the cost of pork, chicken, beef, eggs and dairy products will be driven up, adding significantly to inflation at a time when many countries face slowing economic growth and rising unemployment.

The “flow-through” to meat, dairy and fish farming does not appear to have happened in a substantial way yet. But corn prices have climbed 23 per cent this year, soya beans are up by one-third, and wheat has risen 36 per cent in the wake of official reports about crop damage in the US and the Black Sea region.

The biggest jumps occurred last month, prompting the Food and Agriculture Organisation (FAO) of the United Nations to issue an alert.

“Prices have the potential to increase further,” the FAO’s senior economist and grain analyst Abdolreza Abbassian, said last week. “There is potential for a (food crisis) situation to develop like we had back in 2007-2008.”

Policy makers worry that there could be a repeat of the panic buying, export restrictions and hoarding that worsened the situation five years ago.

This was led by governments trying to assure food security and adequate supplies for their

citizens. If an emergency G-20 food officials meeting is convened, it would try to prevent damaging actions.

Mexico, the world’s second largest corn importer, recently made a huge purchase of the food grain used to make tortillas, a popular staple. The bulk buy bolsters stocks in case of shortage.

Wheat buyers from the turbulent Middle East, anxious about the impact of drought on wheat harvests around the Black Sea, are active in the markets.

Russia’s Deputy Prime Minister Arkadady Dvorkovich said that he saw no grounds to ban wheat exports, as Russia did in 2010. However, he did not rule out protective export taxes in 2013.

Bangladesh said on Aug 9 it had extended a ban on exports of most varieties of rice until next June to ensure domestic supplies.

Still, there are important differences between today and five years ago. Food stocks are generally higher and global demand is less strong. Prices of oil and natural gas, ingredients for chemical fertilisers, are also significantly lower.

Nestle, the world’s biggest food group, has said it expects raw material prices to ease later this year.

For Asia, where many food importing nations are in a financial position to buy more grains and soya beans for their stockpiles, the most comforting difference between 2007-2008 and now is that the price of rice has remained relatively stable even while soy and cereals soar.

In 2009, nearly one billion people were living in poverty, including 640 million in Asia, where rice is the staple food.

The International Rice Research Institute (IRRI) in the Philippines describes rice as the most important food crop in the developing world and says that 90 per cent of it is grown in Asia.

In 2008, when rice prices tripled, the World Bank estimated that an additional 100 million people were pushed into poverty.

The FAO reported from Bangkok on Aug 6 that its forecast for



A farmer with a drought-damaged ear of corn in Indiana. Bad weather in the US has raised concerns about a food crisis. PHOTO: ASSOCIATED PRESS

global production of unmilled rice this year had been revised downwards to about 725 million tonnes, mainly because of below-normal monsoon rains in India.

But it said that output should still slightly surpass “the excellent results” achieved last year. Asia alone is expected to reap 657 million tonnes this year, up slightly on 2011.

The FAO calculates that some nine million tonnes of milled rice have been added to global rice inventories this year, marking the eighth consecutive season of stock accumulation.

“Amid abundant rice supplies and stocks, the likelihood of a strong price rebound in coming months is minimal,” the FAO said, although it added that the future direction of prices after this interim period “remains uncertain”.

Japanese weather forecasters last week warned that the onset in Asia of the periodic El Nino, a natural warming effect, could intensify dry weather and crop damage, raising prices.

The IRRI estimates that an additional eight million to 10 million tonnes of milled rice needs to be produced each year to keep prices stable and affordable at around US\$300 (S\$370) a tonne.

In the light of this outlook, the watchwords for food importers should be careful surveillance and international coordination, not hasty measures that could create another major food crisis. The writer is a visiting senior research fellow at the Institute of South East Asian Studies.

Simple choice: More babies or more migrants

This is an edited version of a speech Mr Lee Kuan Yew gave at the National Day dinner at Tanjong Pagar GRC last Saturday.

SINGAPORE’S experience in population growth is similar to that of developed countries. Our birth rates have been steadily declining. The 2011 fertility rate of the Chinese segment of our population was the lowest, 1.08, with the rate for Indians and Malays marginally better but still below replacement level at 1.09 and 1.64 respectively. Each successive generation of Chinese Singaporeans will halve in the next 18 to 20 years.

Many women are deciding to either put off getting married or remain single. Last year, this ranged from 31 per cent for those aged 30-34. It’s a grave problem that 44.2 per cent of Singaporean men and 31.0 per cent of women between the ages of 30 and 34 are single. Fertility decreases steadily after 30 years old, with a rapid decline after 40 years old.

When I first became Prime Minister in 1959, more than 62,000 babies were born that year, and Singapore’s population was half that of today’s.

The population has doubled – the number of babies born has been halved. Low fertility and an ageing population are two of our greatest concerns.

If we go on like that, this place will fold up because there will be no original citizens left to form the majority and we cannot have new citizens, new permanent residents settle our social ethos, our social spirit, our social norms.

So, my message is a simple one. The answer is very difficult, but the problems, if we don’t find the answers, are enormous.

Without the work permit holders to build the roads, dig the tunnels, help build HDB flats, help build the infrastructure, it’s a different Singapore.

Without the permanent residents, our population would be older, smaller, losing vitality. So, our choice is simple – either (marry and have more babies or) accept migrants at a rate at which

we can assimilate them and make them conform to our values and have the others on temporary work permits to help build up Singapore and improve.

It’s a temporary solution, it’s not a long-term one. Long term is a change in the mindset. Our educated women and men must decide whether to replace themselves in the next generation.

Ever-married females are having fewer children as time passes. From 2000 to 2011, the average number of children born to ever-married citizens aged 30-39 de-

clined from 1.84 to 1.52. Over the same period, the average number of children born to ever-married citizens aged 40-49 has declined from 2.22 to 2.06.

This means that if the females marry, they actually are close to replacing themselves (close to 2.1). For the overall total fertility rate, it is 1.2 for all races (2011 figures) and 1.08 for Chinese.

Just ponder over it and you will know the solution is not simple, but we’ve got to persuade people

Unless we are able to encourage locals to have more children, as well as assimilate immigrants into our society without upsetting the present racial balance, we will be a diminishing and ageing people.

to understand that getting married is important, having children is important. In the West, you have cohabitation, not marriage, just living together, and they have children. In Singapore, they cohabit, but our social values are such that they don’t have children because mother and father will disappear. We are in a bind.

So unless we are able to encourage locals to have more children, as well as assimilate or integrate immigrants into our society without upsetting the present racial balance, we will be a diminishing and ageing people. Young entrants to the work force bring new energy and generate more ideas and innovations. They help revitalise the economy, research and development and the arts. They help ensure that Singapore remains vibrant and exciting, connected to thriving cities around the world.

To encourage marriage and parenthood, there is a wide array of measures: accessibility to quality childcare, leave entitlements for new mothers and parents of young children, and financial incentives to help defray the cost of raising children.

We created a special account for each child in which the parents’ savings have been matched dollar for dollar, by the government, with caps ranging from \$6,000 to \$18,000, depending on the birth order of the child. This is to encourage parents to have three or more children. However, this has not worked. It is not for financial reasons that they do not have children. It is a change of lifestyle. They want to enjoy travelling and have more leisure time, not burdened by children.

Therefore, we have to, in part, depend on immigrants to make up our numbers beyond encouraging our locals to have more children, for without them, Singapore will face the prospect of a shrinking workforce and a stagnant economy. But the rate of inflow must be decided by the pace they will need to be assimilated into our society.