

India and The World: 2007 Perspective

Tarun Das

1947 –1991 was a period of Isolation from the world for India – perhaps, an oversimplification, but broadly true. The economy was closed. Protection. Micro – management of the Economy. Controls. Non – alignment in foreign policy. Also, a broad alignment with the Soviet Union especially for defence and security.

1991 –2007 : a period of Integration with the world, for India. A process which started with a new Economic Policy paradigm (origins of which certainly lie in the 80s). Liberalization. Deregulation. Foreign Investment opening. International trade policy, especially import controls, relaxed. A new reaching out to the West. The start and evolution of a Look East Policy.

India, with its 3% p.a. GDP growth history, clearly had problems of self – confidence vis – a – vis the world. Aspirations were modest. Until the IT sector showed its capability to stand straight and tall in the world. The IT Industry gave India, and Indians, a new view of themselves. That, the country, and its people, could be global players, be competitive and build confidence and pride. A new miracle after 50 years of Independent India.

This inflected the manufacturing sector, which had been micro – controlled, and which, in the 1997 – 2002 period restructured, downsized and emerged competitive and confident.

Concurrently, the Infrastructure sector, which had been owned, controlled and managed by Government for 50 years, saw the beginnings of private sector investment, mistakes, failures and successes.

Even the Agricultural sector – in some areas – with technology, management and fresh resources – witnessed a transformation and a new beginning.

It is necessary to understand this phenomenon – of economic change in India – the movement from 3% to 6% (in the 90s) to 9% GDP growth and the impact of all of this on India's engagement with the world.

A key new factor: the blooming of Indian entrepreneurship and the private sector. Competitive at home. Investing internationally. Acquiring overseas assets. Strategically focused on USA, Canada, UK, Singapore China and

South Africa. Reflecting India's new aspirations and global strategy. Driving growth. Driving change.

Necessarily, the USA is in need of priority attention because of the massive size and scale of its country and economy. 2.5 million people of Indian origin. Leader in science, technology, higher education, research, financial services and capital markets, etc etc etc. Should India be afraid of the American Bear? No, Not so, anymore. If anything there has been growing interdependence thanks largely to the IT sector. This has spread to manufacturing and other areas. The "people" connection is vibrant and strong. Democracy is a binding link. In the future, US healthcare sector is likely to forge a partnership with India, which could be bigger than IT, Defence, Technology, Space, Nuclear are other areas of potential cooperation. In fact, there are many in the US who are anxious about the increasing influence of India.

The Indo – US link impacts many others but, especially the West, which includes Australia and New Zealand as well as Europe. Automatically, in spite of past differences, there has been a greater coming together and a new respect for India.

Clearly, EU countries such as France, Germany, UK, Italy and others are much more engaged with India than ever before. There is some competition with the US which is all to the good. Europe has enormous strengths and assets and India's evolving partnership is mutually beneficial and extends to all areas of economy and society. UK continues to be the Indian "Capital" and "Headquarters" in the west largely due to its openers, language and centuries of history.

India started looking East in 1993 and focused on Singapore. This was strategically wise and Singapore connected India to the Asean Region and to East Asia. By its very nature, Singapore is a micro room of the world. Through Singapore, India was connected to a complex of nations, economies and people who had been sadly neglected. In the 14 year of the "Look East" strategy, India is now deeply engaged with the East in terms of trade, investment, culture, transport, etc. In Singapore alone, 2800 Indian companies are located.

Its special significance is the India – China engagement. Ten years ago, bilateral trade was about \$ 1Billion. Currently, it is near \$ 30 Billion. Indian

and Chinese companies are deeply engaged in each other's economies in spite of the fact that direct flights are still meagre and totally inadequate. Bilateral talks on evolving a trade roadmap have been held and, once China's systems and practices are better understood, discussions on an FTA are very likely.

In fact, the FTA route has been an important vehicle for India's integration globally. Starting with Sri Lanka, extending to Singapore (the "CECA") and, now, discussions with, Asean, EU, Japan and South Korea, clearly reflect the emergence of a Global Integration Strategy by India using Trade and Investment as a vehicle and the private sector as the engine.

Concurrently, India has deepened its engagement with the Gulf/Middle East, Africa (especially South Africa) and Latin America. The major challenges, which are being tackled, are Russia and Central Asia where the relationships are significantly Government to Government and less of private sector.

There is a new balance emerging in the world with Asia at the centre of it and China, followed by India, at the heart of these developments, China is far ahead and India, with its noisy democracy, will always be the lumbering Elephant, never the racing Tiger. But, a steady growth of around 10% p.a. over the next 10 years will enable India to play a larger part in global affairs – economic, social and geo-political.

There are several unique features which "enable" India. The English Language. The human resources bank. The comfort level of others with India with its open democratic system. Its free media. The tradition of non – aggressive behaviors. The Knowledge arbitrage (the IT sector, Pharma, Bio-tech, R&D, etc) The 500 million under 30 years of age. And so on.

At the same time, India faces massive challenges. Health. Education. Unemployment. Underemployment. Poverty. Infrastructure. Agriculture. Secular balance. To name just a few. Across all of these, the challenges of integrating 600 million people in the rural areas into the mainstream.

But, the genie which has been let out of the bottle – of private initiative and enterprise – amongst NGOs and Civil Society, in business and industry, are forces which propel India to find creative solutions which are technology – driven, bottom –up, low cost and without precedent.

And, these unique factors enhance India's engagement with the world and the world with India. Every country in the world is seeking solutions to achieve higher growth, fuller employment, better standards of living, and empowerment of their people. Very often, they find appropriate solutions in India. Or, they find partnership with India useful in finding solutions to their own challenges.

So, the 21st century could be a century of unprecedented partnership between India and the world – for enormous mutual benefit as every part of the world seeks to speed development, to include everyone in growth and to embrace technology as an instrument for change.