



Corporate Associates Lunch

“Why India will Matter More”

with

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Let me begin with an **explanation** for a title that is less than elegant. If I had spoken some years ago, I would have limited myself to the title “Why India Matters.” My message would have been on reforms in India gathering pace, on the sustainability of a **6% rate of growth** and on the broadening domestic consensus in favour of change. At some point, I would have fallen back on the thesis that India **always mattered** – that our size, population, history and culture spoke for themselves – and it was just **your** lack of attention that was the problem.

As to your response, my guess is that it would have been a mix of caution, expectation and scepticism. You may have thought that we were making more of the change underway than was warranted. After all, we were benchmarking ourselves against our **own past**, an exercise not particularly relevant to others making choices between alternative destinations. You would, instead, be interested in where India stands vis-à-vis the rest of the world. On that point, the jury was probably still out then. The more orthodox arguments of India’s historical importance would have probably left you unmoved. In a world of activism, you would have looked to shaping of policy choices and creation of assets as a definition of what matters. I suspect that we may have fallen at least a little short on both accounts. India was still largely perceived as preoccupied with itself and unconnected to major regional and international structures and initiatives.

Fortunately, I am speaking years later and much that was then in the realm of speculation is history now. We are looking at 9% rate of growth and seriously talking 10%. Markets are booming, touching levels which could not have even been contemplated. Poverty levels have come down very significantly, in rural areas as much in urban ones. The expansion of the middle class has been dramatic – and its social repercussions even more so. New

demands for goods and services have arisen on a scale that could not have even been visualised earlier. Indian companies have followed Indian professionals in impacting on the global economy. Indeed, there is no better place than Singapore to feel the pulse of the transformation underway. The relevance of India is growing equally in the non-economic spheres. In strategic calculations, India is talked of in the same breath as China today. A greater certitude about India's prospects allows me the luxury of adding the words "will" and "more" to the title. So we have: Why India Will Matter More.

India today could be said to have entered a new phase of its growth. Earlier, the directions of change were largely inwards. We assessed results largely in terms of the difference they made in India. This continues to hold true, but the external impact of India's growth is increasingly apparent. Certainly, foreign trade and inward investment flows had been expanding steadily over the last 15 years. But the difference today is that companies all over the world perceive an Indian partnership as central to the realisation of value addition and operational efficiency. Secondly, the power of the Indian market is making it increasingly hard for major foreign players to stay away. An 'India strategy' is coming into being as surely as a 'China strategy' did some years ago. Acquisitions by Indian companies abroad in recent months have also drawn attention to the global corporate implications of the unlocking of the Indian economy. Similarly, sustaining domestic growth rates has also led to inflow of natural resources from abroad, particularly in the energy sector. This too has spurred Indian investments and acquisitions in far corners of the world. The intensification of all these trends will surely make India matter more for businesses all over the world.

Indian diplomacy has naturally responded to these developments. Last fortnight, our Foreign Minister speaking in Singapore made a case for a foreign policy approach designed to achieve a 10% rate of growth. The very definition of the goal speaks for itself. In 2006, the CII made a great impression at Davos with its theme of "India Everywhere." Violating CII's patent rights, Indian diplomacy would do well to adopt this slogan as their strategy. Consider our initiatives over just the last few years. The South Asia Association for Regional Cooperation (SAARC) is being expanded through the inclusion of Afghanistan and by bringing in the US, China, Japan, European Union, South Korea and now Iran as associated observers. A South Asia Customs Union and eventually an Economic Union are perceived now as realistic objectives. From its initial sectoral engagement with ASEAN, India is today its full dialogue partner and a member of ARF and ASEM. The traditional disconnect between South Asia and East Asia has been bridged by its membership of the East Asia Summit. A trilateral arrangement with Russia and China caters to India's Eurasian interests, backed by its membership of CICA (a Kazakh confidence building initiative) and observer

status in the Shanghai Cooperation Organisation. Its Indian Ocean equities are secured by the Indian Ocean Rim Countries initiative and the BIMSTEC arrangements. The Pacific aspect is beginning to be addressed through quadrilateral discussions with Japan, Australia and USA. Farther afield, India is reaching out to Africa and Latin America through a trilateral initiative with Brazil and South Africa. Even in its approach to Africa, India has moved beyond the traditionally familiar eastern and southern regions, to target West African countries through an initiative called Team 9.

India has also simultaneously embraced to functional international initiatives. Let me give you a few examples. In the field of energy, India has recently joined the ITER fusion energy project, the US-led FutureGen clean coal initiative and the Japanese-led Integrated Ocean Drilling Programme for exploitation of gas hydrates. In the environmental field, it chose to become a founding member of the Asia Pacific Clean Development Partnership that seeks industry solutions to address climate change issues. When it comes to satellite technology, it is also partnering the European Union in the Galileo Project and Russia on the Glasnost Project. All of this is at an inter-governmental level; private sector has matched this pace with industry tie-ups in different fields as well. This surge in the intensity of India's engagement with the world will inevitably result in the internationalisation of India's scientific and technological manpower. In 2005, the US National Intelligence Council brought out a path-breaking report called "2020: Mapping the Global Future" that highlights the centrality of India's human resources to the emerging global knowledge economy. The very nature of human progress will offer India greater opportunities to contribute. That naturally **will** make it matter **more**.

A more substantive India naturally offers greater value as a bilateral partner. Not surprisingly, the very period of growth and reform has seen India's stock value rise in the political markets of the world. Its relationship with the United States has undergone significant transformation with major initiatives in the fields of business, energy, agriculture, environment, science & technology and defence. With China, the broad basing of the relationship has created new opportunities for closer interaction. With Japan, a greater appreciation of the convergence of interests has led to ambitious economic projects and strategic initiatives. India has also strengthened its longstanding relationships with countries of the European Union and with Russia. Equally significantly, an enormous amount of energy and capital has been invested in re-establishing connectivity with ASEAN countries to our east, and to the Gulf nations to our west. In South Asia itself, India is emerging as a motor of larger regional growth and willing to take innovative approaches to relationships with neighbours to create a new framework for cooperation. In a sense, India is seeking to

be as relevant to the daily processes of other societies as they will be in ours. That is a key difference over the last few years.

A more capable India with visible stakes in the international economy will obviously have to play a greater role in responding to global challenges. Events, however, do not always wait for policymakers to reach their conclusions. So, when the 2004 tsunami hit Asia and India stepped forward in response, many Indians themselves did not appreciate what this portended in terms of shouldering responsibilities. It is generally accepted that we live in increasingly uncertain times. The real challenges that will face the world will be less from state-driven traditional threats and more from dangers posed by non-state and even non-owned sources. Reflecting this realisation, the international discourse has evolved and the conversation is dominated by concerns of terrorism, of pandemics, of natural disasters and environmental degradation. Tackling these effectively now would be inconceivable without India's participation. This is not just a function of capabilities. Equally important is a tradition of internationalism which allows a nation to step forward for a larger cause. India is noteworthy in that regard. In peacekeeping, it has participated in 43 of the 61 missions undertaken by the UN since 1945. In the same spirit, we also run an international training programme to build civil society and market economy capabilities which have received trainees from 156 countries. And after decades of receiving aid from others, India is today a net aid donor.

How much India will matter will depend on the extent to which its experiences and values will be seen as offering solutions to contemporary global concerns. Many of them may not have obvious business implications but both Singapore and India know well how seriously an economy can be affected by terrorism, pandemics or natural disasters. Let us look at ten such key concerns:

- i) **Models of Economic Growth**: India's lean model offers some lessons in competitiveness, in the building of world class private sector companies, in innovation and in the optimal use of resources. Moreover, considering that change on this scale has never been attempted in a democratic framework, the Indian experience of managing change may be significant.
- ii) **Energy and environment**: These twin issues are recognised as survival problems today. What India **does** and equally, **does not do** will be vital for the world. India is in the midst of negotiating a shift towards more significant reliance on nuclear energy.
- iii) **Food and Water Security**: These will be the other critical set of existential challenges. In the near term, developing countries will have to adapt to the commercialisation of

- food production. Looking a little beyond, an ability to feed ourselves adequately will depend on biotechnology applications and water usage techniques. How India fares in this regard is as important for its own future as for that of the world.
- iv) **Security:** A more participative security order is in the making as the case for equitable burden sharing becomes apparent. We have to move out of the '**sheriff**' syndrome into a '**koban**' approach. Security providers, if not from the region itself, will definitely need acceptability there. India has value to offer in that regard.
 - v) **The 999 Problem:** Living in an uncertain world, the ability to respond speedily to natural and manmade contingencies is going to be a major concern. It will be a function of skills, capabilities, readiness and policy. India has the ability to be part of the response system – demonstrated by the 2004 tsunami.
 - vi) **New Balance of Power:** The Indian view is that interdependence and competition among major powers can co-exist. An eminent political scientist recently observed that from an era of hegemony, we could be moving to an era of hedgemons – all hedging against each other. India could well be optimally placed in such an exercise.
 - vii) **Challenge of Terrorism:** It will remain a major preoccupation for at least another generation. India has encountered this threat for more than two decades. It **knows** that as a pluralistic and diverse society, it will continue to be the natural target of extremist ideologies. As a global network of states counter globalising terrorism, India will be a key player that will determine the outcome.
 - viii) **Clash of Civilisations:** At an ideological level, this debate is polarising the world today. Proving that different cultures and religions can co-exist harmoniously is a burden borne uniquely by multi-racial, multilingual and diverse societies like ours. Much more than India's own future is riding on its successes in domestic governance.
 - ix) **Values Debate:** India is today confidently asserting its identity as a liberal democracy. Kishore Mahbubani raised the question last year whether India would behave as an Eastern or Western society. I would go along with the prediction that in upholding liberal democratic values, India would establish ownership with claims of heritage and tradition. If Asian societies wish to shape the emergence of global values more significantly, an articulate spokesman like India would be of no small value.
 - x) **Soft Power:** An integrated world is only going to put a greater premium on soft power. This is one area where India will score high and its ability to wield cultural influence will only grow as it fully restores its historical connectivity with South East, West and Central Asia.

While presenting a hopeful picture, I would not discount the enormity of the challenges that need to be overcome if India is to realise its potential. In the immediate sense, we are

grappling with the modernisation of infrastructure, with ensuring energy security and improving agricultural productivity and quality. At what pace and in what manner India grows will be dependent on the quality of governance, which naturally cannot be uniform in such a large society. Building internal coalitions and avoiding regional fissures are very important. There is recognition today of the need for a dramatic step-up in social sector investments. The experience of East Asia must be emulated by South Asia if we are to realise our full demographic value.

What does this mean for Singapore in its approach to India? I would venture four broad thoughts in that regard:

- One, a much more comprehensive and detailed understanding of India and its processes will be required on the part of Singapore's decision-makers. Singapore has the advantage of being the first mover where the international response to India's reforms was concerned. It consequently enjoys enormous goodwill. But there must be recognition that we are moving out of the phase of transactional dealings and moving in to much deeper and closer relationships. A Strategic Dialogue between the two countries is, therefore, a timely initiative.
- Second, Singapore needs to adapt to the requirements of a rapidly changing India. A strategy that may have worked a few years ago may no longer be viable. It has to constantly update itself on India's evolving priorities and make itself relevant to their realisation. For example, its closer participation in infrastructure projects would be central to a continuing Indian perception of Singapore as a key economic partner.
- Third, overcoming the disadvantages of geography, Singapore has actually created a virtual hinterland for which it is a logistics and services hub. A deeper integration of India with the global economy could actually expand opportunities for this hub. The CEO's Forum would be an appropriate body to deliberate on these two points.
- Singapore itself has ambitious plans of demographic expansion and the growth of India obviously will have some bearing on that. The human contact between our two countries will increasingly have a greater role to play in the advancement of the relationship.

A few days ago, Senior Minister had spoken of expanding the swimming pool to cope with larger fish. Singapore certainly has the ability to contribute to shaping the design of the pool. We are convinced of the need to do so and welcome creative designing that would encourage others to swim alongside us.
