



# Summitry Ends on High Note

Prime Minister Dr Manmohan Singh addressing Summit participants at his residence

The India Economic Summit 2006, held in New Delhi in November, brought together over 600 high-profile delegates, including political, government and business leaders.

**N. Chandra Mohan** writes about the landmark event

**T**he India Economic Summit 2006 represented a high of sorts, qualitatively different from the sharp swings in mood that characterised this annual event over the last 22 years. The tone and tenor of the various plenary and panel discussions during the Summit was bullish on the India story; that the country must seize the opportunity to strengthen the foundation of its remarkable growth — 8 per cent plus during the last four years — by making it more socially inclusive. In sharp contrast, previous Summits often ended with a sense of frus-

tration that India's reforms had stalled; that growth was not rapid enough to uplift its rural masses from poverty and deprivation and so on.

Nothing reflected the success of this year's Summit more than the 600 plus delegates who attended the event, of whom 250 were from abroad, representing 32 countries. "The difference between the previous Summits and this year's was the much wider range of participation from foreign companies with their CEOs or board-level executives who were in a 2:1 ratio when compared to their Indian counter-

parts. This is a profound shift in balance as foreigners hardly took the country seriously earlier", felt Ms Colette Mathur, senior adviser, South Asia of the World Economic Forum that partners the Confederation of Indian Industry in organising the India Economic Summit.

Clearly, the major qualitative difference between this year's Summit and the earlier ones was that foreign investors have bought into India's growth story like never before, aided in no small measure by aggressive promotion like the India Everywhere campaign. Currently, the pace



Sonia Gandhi, chairperson, United Progressive Alliance, and president, Indian National Congress, with (L-R) Klaus Schwab, founder and executive chairman, World Economic Forum; Colette Mathur, senior advisor, India and South Asia, World Economic Forum; R Seshasayee, president, CII, and S S Mehta, director-general, CII



Sonia Gandhi addressing the Summit



Union Commerce and Industry Minister Kamal Nath speaking at the session on India's Global growth Agenda

of its growth has accelerated to a record 9.1 per cent during the first half of this fiscal (2006-07). This year's performance is within sniffing distance of double-digit growth that has been the experience of only China in the world economy. Contrast this with the plea of the co-chairman of the Summit 2000 that "if there were no reforms, there will be no growth. If there is no growth, there will be nothing else."

Managing rapid growth and the attendant risks to this process accordingly was one of the important themes of this year's Summit deliberations. Although overall growth is largely driven by the private sector — that is beginning to engage with the global economy with greater self-confidence — there was a recognition that foreign direct investment (FDI) levels were comparatively low and that hurdles remain in infrastructure. Accordingly, it was felt that politicians at the state and national level must cooperate with the private sector to clear the maze of regulations that impede investments in agriculture, power, transportation, and most importantly, in India's most important resource — its people.

As for the last-mentioned factor, the most important focus area identified by Summit participants was the importance of recruiting, managing and retaining skilled and talented workers in the Indian economy. The rapid rate of economic expansion



Finance Minister P Chidambaram with Nandan M Nilekani, chief executive officer and managing director, Infostys Technologies, and Klaus Schwab at the session on India in a World at Risk



Kapil Sibal, Minister for Science and Technology and Earth Sciences, addressing the session on Promoting Innovation in India: What Works Where?

is, in fact, already resulting in a rising incidence of scarcity or shortages of skilled labour amidst a situation of potential plenty. "Many industries are simply competing for the same pool of labour," said Nandan Nilekani, President, CEO and MD of Infostys Technologies and a co-chairman of the Summit. "There's a tremendous upsurge in demand," he added. The upshot is that there is a need to build a reservoir of talent to manage India's growth.

How does one build that reservoir? By creating more educational opportunities among the poor. "You can't attack the top end unless you nurture the bottom end," said R. Seshasayee, MD of Ashok Leyland and CII President. This, in turn, ties in with another focus area identified by Summit participants to raise India's competitiveness: notably, to improve the quality of India's higher education and technical training and broaden learning opportunities nationwide. To help address this problem, India's commerce minister Kamal Nath announced that the government planned to introduce new legislation that will allow foreign educational institutions into the country.

The participants applauded Nath's announcement of this cabinet decision at the valedictory session of the Summit. The aim of this legislation was not only to help retain the thousands of talented Indians who go abroad for education and remain

The "pro-active and supportive" state government has made Maharashtra the No 1 investment destination.

there for better opportunities, but also to lure the many Indian educators teaching in universities abroad back home. "Over 130,000 students from the country go abroad for studies every year and if we can retain at least 50 per cent of this number, then the scarcity of skilled manpower can be addressed to some extent," argued the minister. The new institutes that will come up as a result of the legislation, therefore, are bound to enhance India's competitiveness.

Managing growth also entails risks like the scourge of AIDS, scarcity of water, oil prices and so on. Scarce water is perhaps India's most serious challenge of all, a situation that global climate change is likely to exacerbate in the future. Summit pan-

elists accordingly felt that State and national officials must find ways to bring drip irrigation to more farms as well as rain-water harvesting to more cities. Ultimately, however, India will have to address the imbalances in development behind the water scarcity. Urban development may have to shift to areas with more abundant water resources. Likewise, farmers will need to shift thirstier crops away from drier regions to conserve water.

"Every risk is an opportunity for innovation and change," said P Chidambaram, India's finance minister at the opening plenary of the Summit. "Risk gives the impetus to bring about technological change. Therefore, I would regard these risks not merely as risks but as opportunities to move ahead at a swifter pace," he added. The minister made a startling statement that high oil prices and their volatility was robbing India of at least one per cent of economic growth a year: "If oil prices would not have surged to \$75 a barrel, India would have achieved 9 to 9.5 per cent growth." The moral of the story is that risks in the form of volatile oil prices complicate India's achievement of double-digit growth.

What is the solution? According to the minister, oil price volatility was basically speculative in nature as there were only limited changes in demand and supply. The world must also come to terms with the



Vilasrao Deshmukh, Chief Minister, Maharashtra, addressing the session on Urban Renewal: Holding the Keys to the Future?



Sheila Dikshit, Chief Minister of Delhi at the Summit

fact that oil-producing countries are exploiting the requirements of oil-consuming countries and suggested that the two sides work together to keep oil prices within a range of \$30 to \$40 a barrel. The steep rise in prices has meant that the government has had to issue oil bonds worth \$6.25 billion to state-owned oil companies for selling cheaper petrol, diesel and cooking gas. "By doing so, we have burdened future generations with what we consume today," argued Chidambaram.

The Summit session that perhaps best elaborated the challenges of managing growth was "Will there be a retail revolution?" India is considered one of the most attractive retail markets in the world, estimated at \$300 billion with a growth potential of 30 per cent per annum. Not surprisingly, most of the global and national players are currently eyeing this segment. Unfortunately, however, regulatory hurdles stand in the way of FDI in retailing. "The retail revolution, especially in food, offers a

huge opportunity to create purchasing power at the bottom of the pyramid", argued Mukesh Ambani, chairman and MD of Reliance Industries, who has rolled out big-ticket plans for foraying into this sector.

According to Ambani, the retailing opportunity offered an interesting means to re-configure the "geometry of empowerment" in rural India. By partnering with small "kirana" (mom and pop) stores it was not just food items that could be delivered



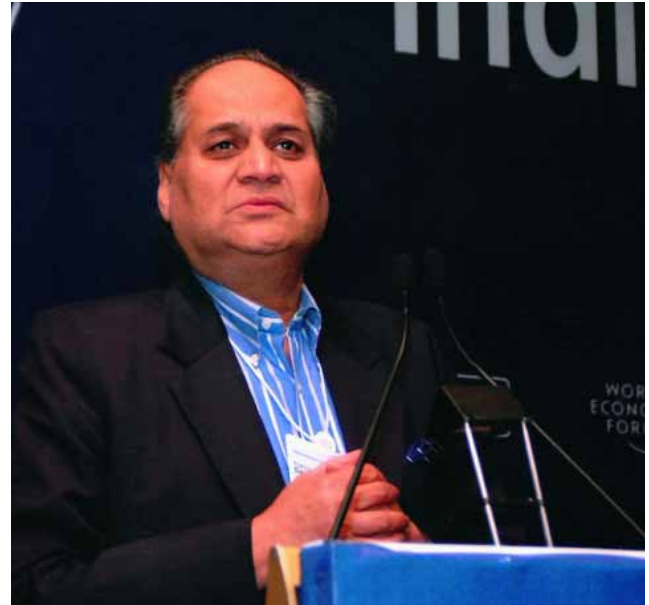
Vasundhara Raje, Chief Minister of Rajasthan, addressing the session on Can India Run without Water?



Mukesh Ambani, chairman, Reliance Industries, at the session on The Opportunities of Smart Growth



Sunil Bharti Mittal, vice president, CII, at the session on Planning for Success: Can the Next Five-Year Plan Deliver for All?



Rahul Bajaj welcoming participants to the Opening Reception on behalf of the Indian members of the WEF

cheaply. This avenue could also be used to deliver health, micro-credit, education and entertainment to the rural areas. “We have to create purchasing power at the bottom of the pyramid and it is here that financial services in retail come in handy,” he added. Further opening of this sector – with a change in the government’s mindset – is expected to create opportunities to the tune of 10-15 million new jobs during the next 3-5 years.

But is the government listening? Yes, as it has said that it would examine whether the joint venture between the \$315 billion giant Wal-Mart and Bharti Enterprises Ltd (announced at the start of the Summit) was “within permissible limits.” Simply put, the government’s concerns are to ensure whether India’s farmers benefit from this agreement and what impact it could have on local neighbourhood stores. The last-mentioned factor also was its response to a query during the session deliberations regarding its “deafening silence” on FDI in retail. The manner in which the government was challenged in this regard also marked a big difference between this year’s Summit and the earlier ones.

While the government needs to further liberalise its FDI regime, the big question is whether the states are doing their bit as well? This year’s Summit invited chief min-

India, which was not a champion of globalisation, is talking about it because we are getting competitive.

isters of Maharashtra, Rajasthan and Bihar to tell the international audience what their respective states have to offer in terms of investment opportunities. While the central government announces important reforms, the main dramatis personae are the various states where the implementation really takes place. Accordingly, it is not enough for foreign investors to be aware of overall government policy but also what the business environment in various states, who sharply differ in their levels of development.

Maharashtra clearly is a frontrunner in this regard as it already is one of India’s most prosperous states whose main city, Mumbai, is the financial capital of India.

Chief minister Vilasrao Deshmukh made a forceful pitch describing his state as the “economic powerhouse” of the country; that the “pro-active and supportive” state government has made it the No 1 investment destination with massive FDI commitments worth \$8 billion from global giants such as General Motors, Daimler-Chrysler, Fiat, Renault, Volkswagen among others to locate their vehicle manufacturing facilities in the state. But he admitted that they were “grey areas” with respect to infrastructure that were being addressed

In a later session on “Urban renewal: holding the keys to the future”, Deshmukh mentioned that Maharashtra has received one of the highest allocations under the \$110 billion Jawaharlal Nehru National Urban Renewal Mission (JNNURM) to revamp its urban infrastructure. The state has signed a memorandum of understanding with the JNNURM and has submitted proposals worth \$80 billion to improve its roads, railways, water, energy, and transport and sewage treatment facilities. He added that there was a separate plan to develop the greater Mumbai region with an investment of \$60 billion, including also the regions of Thane and Raigad, on a build-operate-transfer basis.

However, India’s biggest challenge in managing its growth is to radically transform the lives of 600 million of its people



Lee Howell, director and head, Asia, WEF, moderating the session on Competitiveness Briefing: Is 10 per cent Growth a Given?



Dr Ajay Dua, secretary, Department of Industrial Policy and Promotion addressing the session on Will There Really Be a Retail Revolution?

who live in rural areas. There was a need for disruptive models if it is to become "India's next powerhouse", to borrow an expression of Jyotiraditya Scindia, member of India's parliament. Sunil Bharti Mittal, CII vice-president, argued that there were "several Indias within India waiting to be tapped" and was hopeful regarding the official talk allowing private sector participation in rural India: "Once it starts getting talked about, it gets done like in telecom", adding that his experience in horticulture and village schools received an overwhelming response.

The upshot is that India cannot sustain its ambitious growth trajectory without reaching and empowering the "last mile" of its population who live in villages of less than 2,000 population, argued Dhruv Sawhney, chairman and MD of Triveni Industries who chaired the session on "The rural economy: India's future growth catalyst". If India is to realise its potential to become the "agri-powerhouse of the world", Martial Rolland, chairman and MD of Nestle India, argued for a win-win partnership between farmers and private industry. "Both sides need to see a clear benefit. It is not so much about strategy as about the quality of implementation, the quality of details and so on", he added.

The other important message of the Summit was that India's rapid growth

The economic growth we are experiencing must not be at the cost of social awareness and social responsibility.

couldn't be sustained without greater social inclusiveness. None other than India's Prime Minister Manmohan Singh told a group of select CEOs attending the Summit at his residence "a lot of work was needed for giving the buzzword of inclusive growth greater substance. Unless jobs are created, opportunities arise and backward regions integrated, India's growth will fall by the wayside." Sonia Gandhi, president of the ruling Indian National Congress, added for good measure at a plenary Summit session "the economic growth we are experiencing must not be at the cost of social awareness and social responsibility".

Ms Gandhi felt that business, civil society and government should collaborate

more for India's social development. Noting that political participation in India is increasing at the grassroots level, particularly among women, she also observed that Indian civil society is active and vibrant: "We talk about public-private partnerships; but why not public-civil society alliances in the area of social infrastructure?" While recognizing the "outstanding contribution" of corporations, she forcefully emphasised the "need for a more meaningful commitment which can and will make a real difference." In response, CII's president pledged "that the private sector will play its role in the transformation of India."

Ms Gandhi, who was a special guest of the Summit, addressed participants on the Summit theme of "Meeting India's New Expectations". Later, she presented the 2006 India Social Entrepreneur of the Year award to Vikram Akula, founder and CEO of SKS Microfinance Private Limited, on behalf of the Schwab Foundation for Social Entrepreneurship. Based in Hyderabad in the state of Andhra Pradesh, SKS Microfinance applies global business practices to the field of microfinance. The company has been hailed as the 'Starbucks of Microfinance' for adopting global best practices, standardising microfinance processes and using technology to accelerate growth.

SKS's lending has been growing by 300



per cent a year, with total loans now over \$71.6 million, benefiting approximately 1.5 million individuals. Said Akula after receiving his award: "This is a great affirmation for the microfinance movement. It is a great affirmation of social entrepreneurship. This is not just an award for SKS Microfinance; it is an award for the poor and an acknowledgement of their entrepreneurial spirit." According to Klaus Schwab, founder and executive chairman of the WEF, social entrepreneurship is "a blending of Mother Teresa and Bill Gates", arguing that such entrepreneurs see financial returns as a means to transform and serve society.

One area where civil society and business can come together is in taking on the scourge of AIDS and TB. According to India's health minister Anbumani Ramadoss, 5.2 million people in India are afflicted with HIV/AIDS and nearly 600 million youth are at risk; that while the government is committed to providing free treatment to HIV/AIDS positive people, only 48,000 people are on treatment out of 125,000 known cases. Jamshyd Godrej, chairman and MD of Godrej & Boyce, outlined the various initiatives that the CII had undertaken in this area and pointed out that the government must clarify how the corporate sector can become a more active partner in its various programmes.

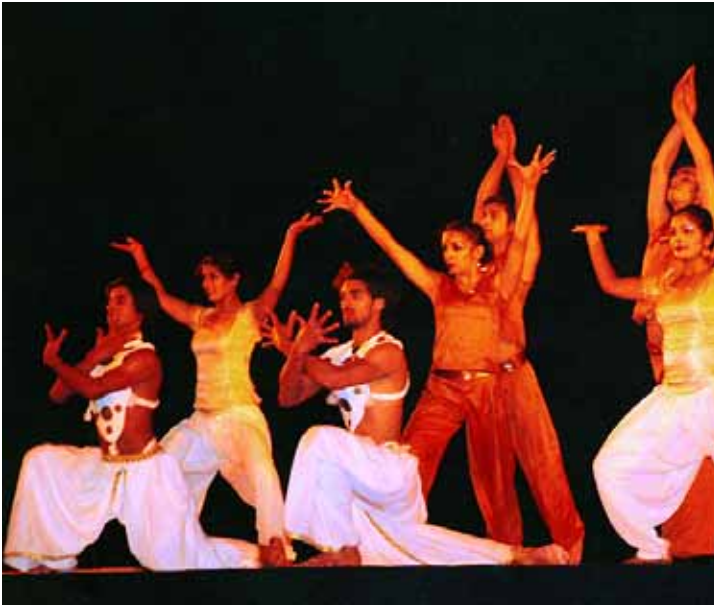
Unless jobs are created, opportunities arise and backward regions integrated, India's growth will fall by the wayside.

The challenge of inclusive growth also includes dealing with its impact on the environment. On the threshold of double-digit growth, India needs to ensure that smart energy and environmentally safe fuel propels its development. At the session on "The opportunities of smart growth", Mukesh Ambani argued that more gas (which is cleaner) than oil discoveries in India solves the environment problems to some extent; that smart technology can fast forward the process of providing affordable access to natural gas to millions of households; that, accordingly, there was a need for change in official mindsets — especially taxation policies on energy — to

ensure objectives of inclusive growth

The finale of the Summit was, of course, provided by the stirring words of India's commerce minister that "the writing is on the wall"; that the great champions of globalisation have now started shirking globalisation. Whereas India, which was not a great champion of globalisation, is talking about globalisation because we are getting competitive." While this is obvious enough, considering the growing self-confidence of India to make its presence felt internationally through mergers and acquisitions, the country must also seize the opportunity provided by the Indo-US nuclear deal in forging closer investment and trading relations with American companies.

India's economic diplomacy also must be more aggressive in its neighbourhood. Raja Mohan, strategic affairs editor of The Indian Express underscored an important point in a panel discussion on "India's commercial diplomacy: which path to pursue?" that in spite of India being the biggest gainer of globalisation, serious concerns stem from political hesitation to take things forward at the regional level. When panelists were asked what could be learned from the experience of China in this regard, an interesting response was that the dragon does not consider globalisation as a bad thing, that it is much faster and action-oriented and so on. This must be borne in mind by



India's political class that does give the impression that it is divided over what benefits globalisation entail for the country. A sobering conclusion was that if India does not take a leadership role in integrating the South Asian region, that vacuum will be filled up by China.

The upshot was that India must seize this historic opportunity and fulfill its destiny as a global power in the making and

manage its remarkable growth through a more socially inclusive agenda. Only then can its rapid growth become more sustainable as its benefits become more widely shared by its population, especially in rural India. The Summit thus ended on a high note, contrasting sharply with previous ones.

It was co-chaired by Mohamed Alabbar, chairman, Emaar Properties, United Arab

Emirates; Mukesh Ambani, chairman, MD of Reliance Industries, India; Peter Bakker, CEO of TNT, Netherlands; Graham Mackay, chief executive, SABMiller, United Kingdom; Nandan Nilekani, president, CEO and MD of Infosys Technologies, India; and Michael Rake, international chairman, KPMG, United Kingdom. Next year's India Economic Summit will take place from 2 to 4 December in New Delhi. 🇮🇳