

THE RISE OF INDIA : CHALLENGES & OPPORTUNITIES
(Lecture by Major General Dipankar Banerjee, Director, IPSC)
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Introductory Remarks by Ambassador

Mr. Chairman,
General Banerjee,
Friends, Ladies & Gentlemen
Sawatdeekhrap

Thank you for inviting me. I am delighted to meet General Dipankar Banerjee again. I have heard him many times before and I can assure you that you will find his ideas interesting and perhaps though-provoking.

Deputy Director General has laid out the scenario on bilateral relations. I will quickly share a few thoughts on the topic of today's seminar. Undoubtedly, rapid changes are taking place in India. This has to be seen in a somewhat broader global perspective and also India's own past. The 21st century is increasingly acquiring the label of Century of Asia. And within Asia, the expansion of two large economies - China and India – are the topic of discussion everywhere. Transformations brought about by global economic and financial integration during the past 20 years in the post Cold War era, the closer integration of the economies of China and India into that of the larger global economy, the latest global economic slowdown and its varying impacts as felt across the world, has focused greater attention on this issue. A few days back, US President Obama, in his State of the Union address, once again referred to this change and the implicit growing competition for the United States by saying that China and India are not playing for second place.

I would venture to suggest that the emergence of Asia may, in fact, be considered more as its ‘resurgence’, as Asia has had a predominant role in the world economy since ancient times. China and India contributing overwhelmingly to the global output in the past – nearly half of economic output during the 14th century according to some estimates¹. By mid-15th century, the fragmented Western nations began to show ‘global intent’ as they aggressively looked to Asia to develop profitable trading networks and later long distance supply chains of commodities. Improved maritime technology and new economic organizations like the multinational companies and financial innovations helped fund these large scale operations². The MNCs and financial innovations were the vanguard of globalization.

As the era of western industrialization and colonialism unfolded, Asia surrendered its lead in the world economy by falling behind in innovation and manufacturing. First the UK and then the USA led the global economy. After World War II, Germany and Japan also emerged as leading economies in the world. By 1970s Japan, China and India accounted for around 15% of the global economy³. This was followed by the rise of other Asian tigers registering rapid export-led economic growth. The sustained dynamism, shown especially by China since it undertook economic reforms and later by India since the 1990s when we opted for opening up to the global economy, has led shifts in the economic activity globally in terms of trade, investment and capital flows. Asia is drawing large amounts of Foreign Direct Investment, but many Asian countries including China and India, are also increasing their outward FDI flows.

As globalization gathers momentum, Asian economies are proving to be competitive in attracting businesses engaged in manufacturing and services. Increasingly, Asian

¹ ‘The Dragon and the Elephant’ by David Smith (Profile Books 2007) pg 6

² ‘A Brief History of Globalisation’ by Alex MacGillivray (Constable & Robinson Ltd. 2006), pg 8-9, 44

³ ‘The Dragon and the Elephant’ by David Smith (Profile Books 2007) pg 33

nations are being seen not only as huge markets, are also favoured destinations for high technology manufacturing and R&D as well.

Changes in India should not surprise anyone. When we look at India we are looking at an ancient civilization with a remarkable tradition - not only in religions, arts and cultures – but in education, science, industry and production.

Going back to the days of the Harappan civilization five thousand years ago, India has had a long and ancient tradition of town-planning, displaying advanced civil engineering skills, calibration and standardization and irrigation canals. Later centuries saw Indians working on metallurgy, growing and trading textiles, especially cotton, development of associated industries such as dyes and paints. India has had a long history of shipping with Indian traders traveling from western and eastern coasts. India also has a long history of excellence in traditional medicine, mathematics, astronomy and navigation, all of which had practical utility

The location of India in South Asia meant that there were extensive trading links overland and sea to the western world through Persia, Arabia and Africa, to the east and north with southeast Asia, China and central Asia. India's trade diaspora spread along the trading routes and later around the globe.

In colonial times, rapacious economic exploitation reduced India's share in the global economy to a negligible percentage. Indian industrial skills, however improved with introduction of western methods of organized production and new techniques, included production of high quality wool steel, cotton & jute, dyes, ship building, coal mining, railways network. Much before India achieved independence, Indian industrialist groups were already active in textiles, power, steel, airlines and aircraft manufacture. An independent India focused her energies on heavy industry such as steel, coal, cement, fertilizers, chemicals, mining and petroleum. Besides

railways, motor vehicles and aeronautics production also commenced. The Government was able to achieve food sufficiency. Special emphasis was given to establishing centres of excellence of education and research especially in the fields of space research and nuclear technology.⁴

When we think of the changes in India and what it means for the world, I would like to emphasize say that those familiar with world history know that Indian influence spread through trade and culture and not by sending concurring armies. India engaged the world, particularly Asia through trade and ideas, religion, art and culture.

In modern times India's economic growth will mean a huge zone of expanding peace, stability and prosperity that have a stabilizing influence in the region and beyond. India also represents a huge market for goods and services, an attractive destination for investment as well as a growing source of foreign investment, a cost effective hub for manufacturing, services and research & development. Engaging with India will be a win-win situation. The implementation of the India-ASEAN FTA, the growing investment by major Indian business groups into Thailand and a similar expansion of investment and trading activities by Thai companies in India and even the growing numbers of Indian tourists in Thailand are examples of the growing benefits of the rapid changes in the Indian economy.

Challenges that India itself faces are predominantly domestic. Challenges of addressing poverty, illiteracy, employment, healthcare for millions; bridging the rural-urban and regional divides. The task of achieving an inclusive growth that leads to sustainable development. But India appears well equipped to take on these

⁴ 'Toward a Global Science : Mining Civilizational Knowledge' by Susantha Goonatilake;
'Technology in World Civilization : A Thousand Year History' by Arnold Pacey
'A Short History of Technology' by T.K. Derry and Trevor I. Williams, 'India's Rising Growth Potential' Goldman Sachs Report Jan 2007, www.indianscience.org

challenges. India, with over a billion people, has chosen and stuck to the path of democracy. Today India is also a country with a very large young population. That is our asset and also a global resource.

Even before independence we were fortunate to have political leaders in India who had a broad international outlook and a sense of history. After independence India has been an active player in international affairs and at the UN and other multilateral fora. India today is an important member of the G-20 and is actively engaged with the international community on the entire range of issues of global concern such as climate change, WTO, counter terrorism, development goals. India is a responsible nuclear power and a major contributor to UN peacekeeping. India is also increasingly providing not only training and technical assistance but financial assistance to other developing countries in need in our neighbourhood.

While there is some alarmist talk in some quarters of the consequences of the economic growth in China and India on global food or energy security, much of this talk is motivated, especially in the context of unsustainable consumption, lifestyles in the developed countries. The Indian people like all other peoples have every right to hope for a better future and the government of India is conscious of the need to pursue policies that lead to an inclusive and sustainable development.

The resurgence of India is a reality that will be beneficial for its large population and will add to strengthening peace, stability and prosperity in Asia and beyond. I use the “resurgence” and not “rise”. I also do not have to qualify “rise” with any prefix like “peaceful” because in a civilizational context India’s contribution to the world has never been via any other means.

Thank you.