Although the 21st century is being described by many as the “Asian Century,” India’s domestic growth, economic reforms, integration with the global economy and vibrant democracy make it increasingly likely that it will come to be described as the “Indian Century,” writes Jyotiraditya M. Scindia, India’s Minister of State Commerce and Industry.

India’s Prime minister, Dr. Manmohan Singh, recently said that “India is an idea whose time has come.” The Indian economy is increasingly integrating with the global one, and it has set for itself a long-term goal of doubling its share in global trade by 2020. The economic balance is definitely and decisively shifting to Asia, including India. Indian entrepreneurs are investing overseas successfully. International firms are finding a productive and profitable business destination in India. The process of engagement with India has truly taken off.

As the world’s largest democratic republic and the home to a substantial English-speaking population, India appears poised to establish itself as a powerful engine for global economic growth. Although India is already the world’s fourth-largest economy by purchasing-power parity, the following indicators point to a brighter future: a rising consumer middle class, reduction in poverty levels, a competitive business environment, a privatization agenda and a thriving services and manufacturing sector. Today India presents a modern, liberal, open economy to the rest of the world, one that is dynamic, thriving, and attuned to the forces of globalization.

Following economic reforms in 1991, growth tripled, reaching 9.2 percent in 2006-07. The government is forecasting up to 10 percent annual growth, second only to that of China, for the coming decade. Historically, India’s growth has been driven internally, stemming largely from its past socialist ideology. Increasingly, however, the country is attracting foreign investment and drawing on international resources and markets to support growth. The World Bank has pared China’s growth forecast for 2011 to 8.5 percent, a shade below its projection of 8.6 percent for India, elevating the latter to the top of the growth chart. If the bank’s predictions come true, India will for the first time become the fastest-growing among large economies.

In its journey of economic growth, India has adopted a unique model. It has believed that the “one size fits all” approach taken by some multilateral institutions will not work in large democracies. Therefore, we have followed the process of slow but steady liberalization to ensure that the benefits percolate to the masses who need it most for improving their livelihood, and that growth is sustainable, a conscious compounding that does not remain a one-time affair. Liberalization is therefore inextricably linked to sustainable and inclusive growth. Liberalization of the Indian markets has helped the business and regulatory environment to move successfully towards greater transparency and efficiency.

Inclusive growth is the highest priority on our development agenda. Our government has launched a very ambitious program to empower the poor and provide quality infrastructure to the urban and rural populations. Under the flagship scheme called Bharat Nirman (“Building India”), about $40 billion is being spent over five years in irrigation, rural housing and roads, rural water supply, rural electrification and rural telecommunication connectivity. Similarly, under schemes like the National Rural Employment Guarantee Act and the Jawaharlal Nehru Urban Renewal Mission, about $8 billion is being spent annually to create rural and urban infrastructure as well to enhance the earning capacity of rural people.

Demographic Dividend
India is presently among the world’s youngest nations, with a median age of 25 years. In Japan the median age is 43 and in the United States it is 36. Moreover, of the BRIC nations, India is poised to stay the youngest, with the working-age population estimated to rise to 70 percent by 2030. In fact, over the next five years as many as 70 million new entrants will be added to India’s workforce. Besides the low cost of labor, the quality of manpower in India is also an important advantage.

For example, India annually graduates more than 400,000 engineers, second only to China. In addition to this clear demographic and democratic advantage, the drivers for India’s growth over the coming decade will continue to be internal consumption, fueled by the rising aspirations of a large middle class and inclusive government policies that are spreading the income base across different segments of the economy. A report by global consulting firm McKinsey estimates that the Indian consumer market, presently estimated at $511 billion, is likely to quadruple by 2025.

Foreign Trade
In the early 1990s, the Indian government launched a “Look East” policy intended to promote engagement between India and its Southeast Asian neighbors. The reason for this policy was economic. Nevertheless, today India is increasingly engaging with the Association for Southeast Asian Nations (ASEAN), including a free trade agreement, and continues to engage bilaterally with trade agreements completed or in process with countries such as Thailand, Sri Lanka, Bangladesh, South Korea, Singapore and Japan. Although it appears that India is focusing most of its energies and attention on bilateral economic initiatives, it continues to support regional and even multilateral agreements such as the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and the new South Asian Free Trade Agreement, and is taking a very active role in the World Trade Organization’s Doha round of negotiations.

India has taken important policy initiatives since July 1991 to emerge as a significant player in an increasingly interdependent world economy. The policy reforms provided a free and conducive environment for trade and include various measures which helped to achieve the high export growth rates of recent years. Trading performance, especially in exports, depends on an economy’s openness to competition in the world market. With this in mind, India has launched important structural reforms to liberalize its market and attract foreign direct investment, the main driver of economic growth. The current foreign trade policy is ex-
pected to project the country back onto a high export-growth path of around 25 percent annually by 2014. However, this policy framework needs to be complemented by a strong backbone of infrastructure, and, equally importantly, a simplified and transparent procedural regime.

According to the Doing Business 2010 report of the World Bank, it takes 17 days and $945 on average to export a container from India. This includes time and cost required for document preparation, customs clearance, ports and terminal handling and inland transportation and handling. Hence, it is clear that to boost India’s exports, it is important to help exporters become more competitive and gain easier market access. This is particularly important in the wake of the recent global financial and economic crisis.

Hence, apart from fiscal and monetary stimulus, the government is also paying attention to other areas such as procedural reforms, automation and so on. In fact, the potential direct and indirect gains from trade facilitation may be greater than those arising from only tariff reductions. In addition to a recently completed initiative of the Ministry of Commerce, transaction costs have been reduced to the tune of $500 million.

A STRONG DIASPORA

The Indian diaspora, 25 million strong and spread across 110 countries, is a great potential lever for national development. The diaspora has the distinction of being the second largest in the world, with huge purchasing power, estimated at around $300 billion. Silicon Valley represents the success of Indians. Four of 10 start-ups in the region are Indian. About one-third of the engineers in Silicon Valley are of Indian descent, while 7 percent of the valley’s high-tech firms are led by Indian CEOs. The diaspora in North America also exercises considerable political influence. India, today is the world’s highest recipient of diaspora remittances, which rose from $32 billion in 2005 to $54 billion in 2009. These expatriates are an important social, cultural and economic bridge. Amartya Sen, Vinod Khosla, Vinod Dham, Laxmi Mittal, Gururaj Deshpande are just some of the more famous names.

CHALLENGES AND OPPORTUNITIES

To sustain economic growth at around 10 percent, India must ensure energy security. India currently imports 70 percent of its oil and 50 percent of its gas. By 2025 it is projected that India will have to import 80 percent of its energy needs. It has some of the world’s largest reserves of coal, but its use will have severe environmental implications. India holds a similar position on energy consumption as many other developing countries; it should be permitted to expand energy consumption until its per capita levels are similar to those of the West.

However, India is also beginning to pay more attention to environmental concerns, joining the Asian Pacific Partnership on Clean Development and Climate and more recently creating a Council on Climate Change this past summer. This issue is increasingly becoming a political one — in a 2006 poll, 51 percent of Indians who were asked considered global warming a critical threat.

In an effort to ensure access to energy resources, India will continue to focus on the Middle East, which supplies two-thirds of its oil. In addition to the Persian Gulf, India, like China, is expanding its search for energy resources beyond its immediate neighborhood into Africa and Latin America.

Diversification of energy sources is also a key imperative. India has a flourishing and largely indigenous nuclear power program and expects to have 20,000 MWe of nuclear capacity on line by 2020 and 63,000 MWe by 2032. It aims to supply 25 percent of electricity from nuclear power by 2050. The current low level of production was one of the driving factors behind the July 2005 civilian nuclear agreement between India and the United States. Progress on this agreement will ensure a regular supply of fissile material and technology to India to power its civilian reactors and new technologies to ensure their safety and efficiency.

A TRI-POLAR FUTURE?

The talk of India as a future great power is unavoidable, and some Indians predict a tri-polar world, anchored by the US, China and India by mid-century. India’s population of 1.2 billion is four times that of the US and likely to surpass China’s by 2025. Vijay Joshi of St. John’s College, Oxford, argues that “if we extrapolate present trends, India will have the world’s third-largest national income (after the US and China) within 25 years.”

Despite efforts to the contrary, the inherent relationship between China and India is one of competition instead of co-operation, whether in the economic, energy, nuclear, strategic or security realm. Pressure is also likely to rise as both nations expand economically, increasingly competing for foreign investment and supremacy in the services and manufacturing industries. Given these pressures and also the importance to both countries of a stable and secure environment in which to grow, the two will continue to maintain a dual policy of “hedging and engaging” one another.

The world, on the other hand, is ready to engage with India and China, as opposed to being the October 2010 visit of President Barack Obama. This in itself suggests the importance of India in the global strategic scenario.

What makes the US and India natural allies or, in the US view, strategic partners? America’s principal challenges today lie in such areas as terrorism, extremism, proliferation of weapons of mass destruction (WMD), economic growth, energy, environment, narcotics and Afghanistan. As should be clear, these are very similar to the principal foreign-policy challenges facing India today.

In countering terrorism, India has for far longer than America been subject to a terrorist threat. In the area of WMD and proliferation, given India’s location it is arguably much more susceptible to these threats than is the United States.

Similarly, India and the US are necessary part-

The drivers for India’s growth over the coming decade will continue to be internal consumption, fueled by the rising aspirations of a large middle class and inclusive government policies. A report by McKinsey estimates that the Indian consumer market, presently estimated at $511 billion, is likely to quadruple by 2025. The proverbial India or China adage. Some trade analysts argue that the two giant, rapidly growing markets will become an economic “Chindia.” Chinese Premier Wen Jiabao’s recent visit to India saw a quantum of deals being inked — 48 agreements worth over $16 billion. As Prime Minister Singh put it at the time, “India and China can together reshape the world order.”

India’s relations with the United States also have undergone a transformation in the past five years, reaching a level today of primacy for both nations. Norwithstanding its non-aligned status, from independence until the end of the Cold War, India tilted towards the Soviet Union while the US engaged more actively with Pakistan. But in the early 1990s such divisions began to fade, and India’s foreign policy became less restrictive. From 1980 to 2000, no US president visited India, while in the last 10 years there have been three, the last

BOOSTING THE MANUFACTURING SECTOR

The Indian economy, while primarily services-driven, requires an additional boost from its manufacturing sector. Over the years, various policy initiatives and economic reforms have made India one of the fastest-growing economies in the world.
India and China will continue to maintain a dual policy of ‘hedging and engaging’ one another. The world, on the other hand, is ready to engage with India and China, as opposed to the proverbial India or China adage.

However, at just over 16 percent of GDP, the manufacturing sector in India is not representative of its potential. Development of manufacturing is critical from the point of view of ensuring that the growth model of India is sustainable.

With the objective of developing the sector to reflect its true potential, the government has embarked on creating a policy environment suitable for manufacturing to flourish. A major policy intervention is the creation of National Manufacturing & Investment Zones to push the manufacturing share in GDP. The proposed National Manufacturing Policy for these NMIZs would act as the key enabler in driving the growth of the sector. Good physical infrastructure, a progressive exit policy, structures to support clean and green technologies, appropriate investment incentives and business-friendly approval mechanisms will be the cornerstones of this new initiative.

The slow pace of infrastructure development also poses a great challenge to India’s future economic prosperity. Without proper infrastructure, current business endeavors incur higher input and transportation costs which, coupled with a lack of external competition, can only result in a drop in long-term productivity and efficiency.

POVERTY REDUCTION

While India has been able to reduce its poverty level to about 18 percent, still there are a significant 200 million people below the poverty line. Poverty alleviation has been one of the guiding principles of the planning process. The role of economic growth in providing more employment avenues to the population has been clearly recognized. The various dimensions of poverty relating to health, education and other basic services have been progressively internalized in the planning process. Central and state governments have considerably enhanced allocations for providing education, health, sanitation and other facilities to promote capacity-building and the wellbeing of the poor.

Investments in agriculture, area development programs and reforestation provide avenues for employment and income. Antipoverty programs that seek to transfer assets and skills to people for self-employment, coupled with public works programs that enable people to cope with transient poverty, are the third strand of the larger anti-poverty strategy.

WHY INDIA?

India’s global investment has increased from a meager $105.1 billion in 2000-01 to $467 billion in 2009-10. India’s economy has strong fundamentals and is host to several eminent global corporate giants that are leaders in their respective fields. In September 2010, the total number of billion-dollar companies (based on current exchange rates) stood at 207. Based on the latest currency exchange rates, there are 27 companies with a market capitalization of more than $10 billion. The market cap of $1.8 trillion of more than 5,000 listed companies on the stock exchange is equal to India’s GDP.

Indian markets have significant potential and offer prospects of high profitability and a favorable regulatory regime to attract investors. The robust economy offers a wave to ride on, and the business opportunities are part of the rising economic bandwagon to prosperity.

It is often said that the 21st century is likely to be the “Asian Century.” I believe that in India we have a more challenging vision, and that is to make this century the “Indian Century.”

Jyotiraditya M. Scindia is Minister of State Commerce and Industry, Government of India.
Not There Yet: India vs. US & China

**Economy**
- **GDP at Purchasing Power Parity (2010 est)**
  - US: $14.6tr
  - CHINA: $10.1tr
  - INDIA: $4.0tr

- **GDP Real Growth Rate (2010 est)**
  - US: 2.7%
  - CHINA: 8.3%
  - INDIA: 10.3%

**Education**
- **Literacy Rate**
  - US: 99%
  - CHINA: 86%
  - INDIA: 72.6%

- **School-Leavers’ Tertiary Education Enrolment Rate**
  - US: 7.5%
  - CHINA: 10.5%
  - INDIA: 36.8%

**Society**
- **Hospital Beds per 1,000 People**
  - US: 3.3
  - CHINA: 2.5
  - INDIA: 0.9

- **Equality of Family Incomes (Gini Index)**
  - US: 45%
  - CHINA: 47%
  - INDIA: 55%

**Defense**
- **Active Military Personnel**
  - US: 1.32m
  - CHINA: 1.58m

- **Nuclear Warheads (est)**
  - US: 8,500
  - CHINA: 2,280

- **Military Spending**
  - US: $663b
  - CHINA: $99b

**Sources:** World Development Indicators Database, UNESCO, World Bank, CIA World Factbook, International Monetary Fund, The Heritage Foundation, The Economist Intelligence Unit, Stockholm International Peace Research Institute, International Institute for Strategic Studies, Federation of American Scientists.