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ASIA'S UNFOLDING ECONOMIC SAGA:

AN INDIAN PERSPECTIVE

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Introduction and Moderator:

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P R O C E E D I N G S

MR. INDYK: Good afternoon, ladies and gentlemen. Thank you very much for joining us on, finally, a beautiful spring day.

I'm Martin Indyk, the vice president and director of Foreign Policy at Brookings. I'm very glad to have an opportunity to bring to you another event in our India and South Asia Initiative which is a joint endeavor of the Foreign Policy program at Brookings and our Global Economic Development Program.

Unfortunately, Kemal Dervis, who's my counterpart in Global Economic Development, is abroad at the moment and so I have the honor of hosting the Indian Minister of Commerce and Industry, Anand Sharma. We're very glad to have you here, Mr. Minister, and grateful to you for, coming to Brookings to speak about the Asian saga -- economic saga and Indian perspective.

Ambassador Sharma has a distinguished political career in India. He was born and educated in Shimla. He has been a prominent leader of the student and youth movement in India. He worked closely with late Prime Minister Rajiv Gandhi. First elected to Parliament in 1994 at the age of 31, he's been a prominent public face of the Indian National Congress and was chief spokesman of the party for six years. He was elevated to the Union Council of Ministers with responsibility for foreign affairs in January of 2006. He also has held the responsibility of Minister of State for Information and Broadcasting from October 2008. And in May 2009, he was appointed minister of Industry and Commerce -- or I should say Commerce and Industry, the post that he currently holds.

We're going to hear an address from the minister after which Barry Bosworth and Mauricio Cardenas will offer their comments. We'll have a bit of a conversation and then take questions from the audience. Let me quickly, before I invite the minister to the podium, introduce my colleagues.

Barry Bosworth is a senior fellow in the Economic Studies Program and the

Global Economy and Development Programs, he holds the Robert V. Rousseau chair in international economics here at Brookings. His research includes determinants of economic growth in developing countries and he has for several years now been the editor of a series of papers on the Indian economy that's published, it's called the India Policy Forum, that he does in cooperation with the National Center for Applied Economic Research in New Delhi.

Joining him today is Mauricio Cardenas, who is senior fellow and director of the Latin America Initiative at the Brookings Institution, which is another joint project of Global and Foreign Policy. He has served as Colombia's minister of transportation, its director of national planning, and also minister of economic development in the government of Colombia before he came to Brookings to run the Latin America Initiative.

So, without further ado, Mr. Sharma, the podium is yours. Thank you for coming to Brookings.

MR. SHARMA: Thank you. Master Martin Indyk, Mr. Barry Bosworth, Mr. Mauricio Cardenas, distinguished participants, ambassadors, high commissioners, ladies and gentlemen, I am really happy to be here this afternoon which was rightly described as sunny and beautiful. When I left Delhi I was not sure whether I will be greeted by such nice weather because we were only reading about the severe winter that Americas and Europe had.

I'm also happy to be speaking at an institution which over the years has made its own notable contribution as a leading think tank providing a platform to leaders in various disciplines -- political leaders, social scientists, academic scientists -- to come and share their thoughts.

I am happy that I'll be speaking to you on a subject which is of interest not only to our region in the world, but to the entire world itself. As we discuss what's happening in the world, it's also important to have a look at what has happened in the recent decades. There have been major changes in the last few decades, particularly the last century that we

have left behind. That was a time when the world was divided, after the Second World War in two major (inaudible) blocks, military blocks, the Nature Alliance and the Warsaw Alliance, and the countries of the south of Asia, Africa, Latin America, which were not participants in determining that order, but, yes, were impacted because it was an order of the world in which all the people lived.

But the 1990s were truly defining, not that it happened accidentally, overnight, nothing happens in any country in any society abruptly. Events, one leading to another, socioeconomic developments, political challenges, the levels of development, the creativity, the resources of people in societies, eventually shape and unshaped global orders. That's exactly what was happening in the decade of the '90s. First the Berlin Wall collapsed, the Warsaw Pact collapsed, the Soviet Union collapsed, and they were very early conclusions of ideological triumph that there is a unipolar world which has finally taken shape, a world which was also described by one imaginative, and I say it with respect, writer, Mr. Fukuyama, The End of History.

But it was not the end of history. That would be either simplistic to say or too harsh to say because history has been written and rewritten many times and we all have drawn our lessons from history. The human history as such has been inspiring and empowering, educative and illustrative.

The same decade saw many other changes taking place. It was a transient phase of unipolarity with all indications that the world is endeavoring to find a balance and equilibrium to become unipolar so that there is a harmony and balance between different continents, different regions, different economies.

And the same decade also saw China firmly announcing, very loudly so, its ambitions and aspirations, acknowledged by them as a rising economic power they embarked on that course more than a decade before.

It also saw the arrival of the Asian Tigers or the East Asian Tigers, as they

were referred to, vibrant economic activity in the RCN region, in Asia, and in other parts of the world. There was another important development that was India's opening up, India embracing the part of economic liberalization.

So, as if these all were not enough to fire the imagination of the people, especially those who believe in constant progress, progress of human beings, progress of societies, progress of ideas, this decade also saw truly an implosion of technology, high technology. At the press of a button, knowledge and information started traveling, the flow of capital and the flow of information became very fast.

Few would have imagined, except those who were responsible for bringing out, this remarkable change. Many of us, when we were students, wouldn't have thought that we would see proliferation of TV channels or electronic media in my country; that I, in my lifetime, will see, 500 TV channels, I never thought, let alone live in a world which was wired, which was connected, and that the younger people could reach out in the flash of a second to distant corners of the globe. That was the time that some of our countries also embraced the change, embraced the technology. India was one of those fortunate countries to have done so.

And that helped in bridging the huge divide, rather straddling the divide, the divide which came with the arrival of the steam engine and the industrial revolution, a divide which changed for good or bad, the destinies of many nations and also changed the face of the globe. I'm not talking the changes, if you look at the globe as it was first shown, when the NASA picture was released, but the face of the globe changed because the vast majority of countries which were not beneficiaries of the industrial revolution or the technologies which came with that, and they were left behind, left behind for centuries. That included India, majority of the countries of Asia, Africa, and Latin America.

Without hesitation one can say that a vast majority of humankind as such was not fortunate to benefit from those changes in the world and from those technologies,

and that did impact, not only the political order, but also the economic order, those who had the resources and the technologies dominated the world. The institutions, they were few at that time, the global trade, and the others were left to wait because they did not have the resources nor the tools to bring about any meaningful change and that was a big rupture, and that period continued for long. And, therefore, the question comes, particularly after what we have seen in the last two years, if I may say, when the world was oblivious to what was happening to the global monetary and fiscal mechanism, when the world was more worried, and rightly so, about the skyrocketing oil prices, rising food prices, increasing number of people going hungry to bed, the issue of hunger and food security, pandemics and energy security was dominating the global discourse in 2008 until the crisis descended. The crash of the Lehman Brothers in September changed it all.

And those -- and there were quite a few who felt that the world economy was moving in a direction that the government and the regulators should leave it alone, and the government should not have any role to play, per se, in the management of the market, in the management of the economy. And when there is any discussion, I can say that at least in my lifetime, maybe the global economy is described as the post war economy, as pre-Lehman and post-Lehman. And it was only the timely interventions, the well-coordinated actions of the governments, actions by major economies which went into contraction, actions by emerging economies and their governments, that saved the global economy from sinking from what clearly was a big recession into yet another Great Depression. And then the recovery started, the process is on.

We all were also impacted in India, in Asia, and for that matter there was no continent which did not suffer from the crisis which also brought out enormous job losses and despair, but it was universal, it was not uniform, the severity of the impact was different though it was in its spread, complete. And the recovery as we see, is also not universal. The many economies which are in a state of rebound, have recovered faster. In the many

economies, major economies which went into contraction, have not yet fully moved into strong positive territory. But that's, of course, for the analysts to say that whether the recovery is complete and the time for the governments to withdraw. But there are many lessons learned from that crisis -- crisis for the governments, crisis for institutions -- but there has to be a balance between the free movement of market forces and the responsibility that the regulators or the regulatory mechanisms, as such, in societies, have to save the economy from crisis.

But we also have seen that in this recovery, Asia has played a major role. Many of the Asian economies never went into the recession. The growth was affected as we, ourselves, came down from 9.5 percent to 6.7 to be moving to 7.5 percent this year and, hopefully, will go back to where the Indian economy fell from because of the global crisis. But it again is a fact that to some extent the global economic recovery has been led by the emerging economies, that more than half of the global economic growth is coming from the developing countries, a substantial contribution from Asia. And that led to the talk of whether there was a decoupling. I do not say that in an integrated world when we are talking of a globalized world order, the opportunities and challenges are globalized, so are crises, that there could be a decoupling.

One thing is clear, that it's a brave new world which is seeking to redefine itself and the world is shifting definitely towards a multi-polar world, and in this world, Asia is going to be a major pole, whether we can call it a tectonic shift, that's too strong a word, but the shift is there, and that shift is taking place after many centuries. And there are many strengths which Asian economies have, which countries like India, China, Indonesia, all the RCN region countries have and those are very well known: the skills of the people, the human resources, the demographic profiles. Asia, as such, is from a demographic perspective, a very young region of the world. India itself, when we look at us, we're an ancient civilization but a young nation state with two thirds of our people being young and

they have aspirations, all the young people, whether in Asia, Latin America, Africa, and Europe and Americas.

But it's true that these changes there after three centuries, how should that change be received? We saw the rise of Europe, the integration of Europe. EU has emerged as a powerful entity, political and economic. And that has been welcomed. Economic integration did take place in North Americas, to some extent also in the South Americas and the countries are moving in that direction. We see the similar trend in Africa. It's not only the regional economic communities, but also the African Union itself. Therefore, Asia as a region has been slow to move towards economic integration and it is happening now.

RCN has shown that what a vibrant economic region it has become and after RCN we also see China and India and Japan and past countries of the Pacific, engaging more with the region. So, slowly but surely, in this century, economic integration will take place in Asia, too.

So, when we say that Asia will be a strong pillar in the multi-polar world, it's also because it will contribute itself close to half of the world's growth. And why shouldn't that be happening? Because there was a time when China and India alone contributed more than half of the world's GDP. So, it's not a shift taking place. Maybe it's a correction which is taking place in the global economy, because the region is home to 45 percent of the world's population and yet the consumption is much less. A \$7 trillion consumption whereas America itself is \$10 trillion and 5 percent population, so, there's still huge gaps. This is not something which is going to change and in the coming decade, it's said, and that (inaudible) is projected, that three of the first five economies of the world, will be nation from Asian continent, Asian countries. And that's where I see India itself playing an important role, not restricted in its vision to Asia, while engaging with confidence, with optimism, other countries and other continents where we have over the years developed strategic engagements in the

United States of America, which is an important partner of India, a partnership which is based on shared values, trust, and friendship, which is embracing all important sectors which would justify defining the engagement as a strategic one, as two largest democracies on this planet destined to lay a major role. We have equally strategic engagement with the EU. We have strategic partnership with Japan. And I'm carefully, consciously, using the word "strategic." India also has a strategic relationship with Brazil, and again with South Africa.

At the same time, we are expanding our own engagement with the entire Asian continent. That's a part of India's (inaudible) policy because in a century when Asia will play its role, India cannot but be more intensely engaged.

When the world was looking inwards because of the economic crisis, India looked beyond. We went ahead and signed an FT with RCN countries last August. We signed a (inaudible) with Korea, we are engaged in negotiations with Japan, we have started negotiations with countries of the Pacific, with Australia, with New Zealand, and with China too, we have an important relationship. There have been periods in our history which can be termed as challenging and unfortunate, but it's a strategic relationship between two most populous nations and two big neighbors of Asia.

And as I look at India itself, it has its inherent strengths in the aspirations of its people. If we are home to 17 percent of the world's population today, 20 percent of the world's children live in India. So, it's one-fifth of the future. And today, it's whether the Indian planners and institution builders, Indian industry, they're full of optimism, they're full of confidence, which is clearly reflected not only in the way India engages with the world, but the way India looks at itself. India corporations have stepped out with confidence, more so in the last one decade, not only going in for joint ventures or investments which they have done across the globe, but some of the major acquisitions and mergers that have taken place have been made by the Indian corporate entities.

In the first 40 days of this year alone, I was told that India corporations have made acquisitions abroad of 414 billion, which is truly commendable and gives an indication of their strength and of their confidence.

At the same time we are investing in institutions, institutions which will empower our young men and women who are truly the builders of future, the stakeholders in the future. And there is no better way to achieve what we have in mind but by giving our young people the opportunities that they so richly deserve. And those institutions, our universities and colleges, institutions such as the Indian Institutes of Technology and Management, Indian Institutes of Science, training and skills, India has, perhaps it's know to many of you since the last few years, engaged in investing in institutions. Not that we had not done so in the past, it was the decade of the '50s that has seen that when India's first prime minister, the visionary statesman Jawaharlal Nehru, had made the effort in a country which had very little resources, to set up the IITs, the IIMs, the institutions of science and technology, set up the giant PSUs, and today the present prime minister of India, who was India's finance minister in 1991 when a crisis inspired him and did not overwhelm him, to go in for brave changes, Dr. Manmohan Singh is truly a transformational leader.

And then we look at what he has been able to do, what the government has been able to do. There are so many areas where India has moved forward in inclusive growth, in sustainable development, but to set up more universities, to set up 1,500 new polytechnics, 10,000 skills training center where the industry and the government are moving in partnership, that is truly investing in future. Because there are some countries which have their strengths in manufacturing, they have strong institutions, but may be challenged because of their demographic profiles and there are some countries, including India, which will reap the benefits of demographic dividend.

Though we will not be alone, as I say, there are other countries which shall always have the strength, including countries of Africa, many other countries in Asia -- not

all, because China and Japan may not have the same demographic benefits in the coming decades, but America will always have both a large number of scientists, engineers, strong institutions, universities, and remain one of the world leaders in innovation.

But the world, as such, is going to face a huge shortage of skilled manpower, which is projected to be anywhere between 25 and 40 percent. And that need will have to be met by people, by countries, with not only more young people out there, but young people who have been empowered, young people who have been trained in skills across industrial applications, that I'm sure we have captains of Indian industry sitting here that they too have in mind, and together with the government we also hope to make, as India, our own contribution to the world. The assets I was referring to are natural Indian assets in a globalized world. They are truly world's assets, and in the coming decades, they'll make their own contribution.

The world is very big. The universe, as such, is vast. Surely, as the countries of Asia, Latin America, and Africa will grow in the 21st century, their rise should be welcomed and applauded because they do not threaten the welfare and prosperity of anyone, but only seek to find their rightful place and hopefully 21st century world will become a better place to live in despite all the challenges, where the political and economic architecture will reflect the world's contemporary realities, and an order which is fair and equitable.

Thank you. (Applause)

MR. INDYK: Thank you very much, Minister. That was a very interesting presentation. I want to take a moment to welcome Ambassador Shankar. Thank you for joining us.

I'm going to turn to Barry and Mauricio for their comments and then we'll have a bit of a discussion between us. Barry, do you want to go first?

MR. BOSWORTH: Yes. I thank the minister for his remarks. I think it's a

good reminder today of just how much things have changed in just the last two years. I thought a couple of the points that you made would find a strong echo here in the United States. I think we are going through a period of sort of the rise of Asia, at least in an economic context. Asia's resilience to the economic crisis, I think, continues to be severe economic damage here in the United States that's going to last for 5 to 10 years, and a similar problem in Europe, I think does create a unique situation in which, to keep global economy expanding at a rapid pace, Asia's going to have to play a much bigger role than it did.

I think the resiliency, though, is in part simply because Asia was at a different stage of development, it doesn't suffer in the current crisis from any financial damage to the extent that there was a slowdown in economic activity, and either India or East Asia. It's largely just through the trade mechanism. It's because incomes have dropped in the industrial countries. Trade collapsed, now trade's coming back. Asia does not have this residual financial damage. It turns out, I think, as well, it kind of benefitted in East Asia, from having had a crisis a decade earlier, so they made some of the adjustments we should have made.

India seems to me kind of unique. India's benefitted from the fact that it was relatively slow to open up. You don't have a large exposure on the trade side. India's got a very active and creative service sector, but manufacturing exports have kind of lagged behind compared to what's happened and if you think about the tremendous number of unskilled workers in India, it seems to me this is still a serious problem for India and for the global economy.

Realistically, you cannot educate all these people overnight, so for decades to come, India's got to find a way to employ highly unskilled workers, yet services, as a skilled worker type occupation, where India's had the big growth, anyway, and in manufacturing it seems to me most of the employment growth in India has been in relatively

skilled components of manufacturing, that there's still a serious problem in India that unskilled labor is not benefitting from the growth of the world economy and India's role in it as much as we would hope.

So, I would like to hear you say some more about how, perhaps, the benefits, so to speak, of economic growth in India can be spread to some of the lower skilled portions of the workforce.

The other one I'm interested in is that all of this sort of growth of the role of Asia, in part, reflects the fact that the emergence of G-20, and it seems to me that's been very successful way to deal with the current crisis. As you emphasized, this has been an era of cooperation, not conflict, over trying to manage the global economic recovery. We've largely avoided any significant trade restrictions. Countries have tried to coordinate their fiscal policy measures. Is India relatively satisfied with what has turned out to be a much broader framework for global governance? Do you see this continuing? Or is India looking for some further change in international institutions governing the economic system?

MR. INDYK: Yes, we'd like you to respond, Mr. Sharma, but let's bring Mauricio into the conversation first and then we'll come back to you.

MR. CARDENAS: Thanks, Martin. Well, it's always a pleasure to be on this stage and this time commenting about a very interesting speech of Minister Sharma.

I have to begin by saying that the first word that comes to my mind when I hear about India and how well it has done, not just in weathering these crises, but in the last couple of decades, is admiration, and admiration, not just in terms of what it has achieved in growth, but admiration in terms of the way India is playing a role at the global stage. And that's very important, for many of the reasons that the minister mentioned and me, coming from Latin America, I strongly sympathize with those ideas of balancing out global governance and having the voice of the countries in the south with more emphasis and playing a greater role.

When you think about India, there are two separate things that I think we have to discuss. One is the long run economic growth and development of India which the minister alluded to. You can trace back a change, a break in the trend to the early '90s, and the main conclusion you can get from that is the importance of economic reform and the importance of opening up the markets and liberalizing the economy.

And the second element is weathering the crisis. India had been growing at a rate of around 9 percent for the years -- for the 4 years before the crisis, and during the crisis it slowed down to around 7 percent. Most projections suggest that within the next 2 years, India can climb back to the 9 percent growth which means a tremendous resilience, as Barry was alluding to. But when we see these things in countries like China, India, in Latin America, it's easy to extract the wrong conclusions and it's easy to feel some complacency that we're doing things well, we're immune to this crisis. And I think we should, rather than doing that, be thinking about the risks ahead and the pending issues. And in thinking about that, one aspect that I think has to be emphasized is that one of the reasons why India was able to weather these crises so well had to do, first, with some limited integration in the financial market and some limited integration in trade as well, but -- if you think that that's the basis for insulating and protecting and erecting barriers, I think that will be the wrong conclusion. I think if anything, India and many other emerging countries need more integration and especially need more financial integration.

So, one of the pending reforms in India is financial reform so that there is more access to capital, and then that translates into the lower cost of funds for investment. We have to remember that interest rates and the cost of capital is still relatively high in India.

And in terms of trade, the one aspect that strikes an observer is how little trade there is among the countries of that area, of South Asia.

One of the main channels through which the Latin American countries have been able to expand its manufacturing sectors has been through the inter-regional trade.

And in the case of India, not only that aspect is lacking, but also it's interesting to observe that even within the states of India, there are restrictions to trade in spite of the fact that the Constitution establishes free trade among states. But there are barriers erected by the state governments that restrict that trade. So, that's one aspect that basically emerges as a concern.

And the third element that I would mention is the fiscal situation. In general terms, the fiscal deficit of the government of India -- including the states -- is quite large. And it grew even more as a result of the stimulus package that was adopted in response to the crisis. A 10 percent of GDP deficit is big.

When you compare the situation of India to the United States, yes, it seems that it's about the same. But thinking in terms of the future, one cannot ignore the fact that financing large deficits can become a huge problem. Think of the example of Greece, that it's dealing with the markets today because of that challenge. So, in terms of future economic growth and future economic stability, I think the issue of the deficit has to be tackled.

One of the reasons why I think this is important is that the Indian strategy to offset the losses of the slowdown in the developed world is to expand its investment in infrastructure. And to invest in infrastructure, it's likely that more government funds are going to be needed in spite of the fact that it's likely that the private sector will join and there will be private and public partnership. But the public sector will have to be there.

So, if you're putting on the one hand emphasis on infrastructure -- which is rightly so -- and at the same time, having a high fiscal deficit, then you have to make tough choices in terms of what other items of expenditures you're going to be cutting or how you're going to raise additional revenue. I think that debate has to take place in the context of India.

And I would end by saying that we are all very impressed with the

development in the services industry. And especially in IT. But we have to remember that 60 percent of the Indian population is employed in the agricultural sector. And in the agricultural sector, productivity has been stagnant. And to make sure that there is employment for the unskilled labor, that it's growing, and especially for the young that compose about half of the population.

There has to be a revolution in agriculture. So maybe it's time to think of how to extrapolate from all the advancement and progress that has been made in the services sector to a new revolution in technologies in agriculture that allow India to employ its population and, at the same time, to develop the rural sector that is lagging behind. Half of the population in India still lacks access to electricity. So, that's also one of the big challenges for the years to come.

So, I would just end there by saying that it's amazing how much has been achieved. It's something that generates genuine admiration. But at the same time, it should generate a very honest reflection on the challenges and on the way ahead based on analysis and on an awareness of the importance that having gained a sense of security, confidence brings. But at the same time making sure that these problems are not ignored and that the challenges are ahead are understood and tackled.

Thank you.

MR. INDYK: Thank you, Mauricio.

I don't know you well enough, Minister, to know whether you appreciate irony, but you may have thought it a little ironic that here in Washington we're telling you about -- to watch your deficit. (Laughter) But my colleagues do so as economists, not as politicians here in Washington. So I hope you appreciate the difference.

Please.

MR. SHARMA: Well, I must thank both Barry Bosworth and Mauricio Cardenas for your pertinent observations.

When I was talking of Asia and when I was referring to India, at no stage, I hope, I tried to give an impression that we as an economy or Asia as a region stands insulated from the rest of the global economy. Because we live in an integrated world. I repeatedly emphasized that it's a globalized world which is interdependent. Therefore, even if the impact was not universal, and the recovery has been much stronger in the emerging economies, we have not, A, done so by moving away. That is, in fact, what Cardenas had said, Mauricio. And I'll come back to that.

But when it comes to India's own development, we look very consciously at both the opportunities as well as challenges, strengths and shortcomings. You cannot plan for future or, for that matter, even for the intermediate terms, unless and until all these are taken into account by those who are engaged in the task of policy formulations or building of institutions.

It's true that we are a country like many other societies or countries of the South, one of paradoxes and extremes. We have one of the fastest growing middle classes of the world. Maybe in a decade, the strength of Indian middle class could be close to 500 million. It's 300 million, estimated as by universal standards, now.

Now, that may happen, that may not. But this is what the projections are. Even when it comes to projections about future that where the economic economies will be, those have been made by scholars and credible institutions outside Asia and outside India.

One of the major challenges which we recognize as a government, as a country, is how to address these extremes. That a country which is home to many skilled people, so many -- such a strong middle class, that we are also home to one of the largest number of poor people.

And, therefore, inclusive growth and sustainable development we have been very clear about. We have been investing in human resources, in creation and expansion of infrastructure -- not urban, but also rural infrastructure. We have expanded a

social security net through very focused programs, mobilizing and allocating enormous resources. The resources, when we look at what has happened in the last five years during 2004 to 2009 -- if you had asked somebody in India from any political party or outside India in the year 2000 and 2001 that will India have the money to do so, the answer would have been a loud "no."

But we have, in the shortest time created the vast test, the biggest social security net. There's a constitutional right to have 100 days of employment. One can say that it is only 100 days, but that has been done in this period. Then, the investments which have been made in creating community assets has not happened after the crisis, which has ensured that people have jobs and they also have disposable incomes.

One thing is true that I'm asking Barry Bosworth, that about this challenge of skills, that's where the decision was taken to create a dedicated national skills development corporation, for which a separate corpus was set aside of 30,000 kuruls of rupees. So that, given the then exchange rate, is more than \$7 billion. It may look like a drop in the ocean, but that's what was done.

We've also, in partnership with the Indian industry and in some cases also looking at -- not looking at, but accessing the modules. Modules of training and skills. There's already an ongoing program which is a module developed by Germany. They're working very closely with the National Institute of Excellence and with the CII, it's the Confederation of Indian Industry. The president and the director general are here.

But as I mention that we're creating, besides the Skills Development Corporation, we are investing in 1,500 new polytechnics, 10,000 skills training centers. It's not only that Indians are employed only in unskilled jobs -- it's true that a vast majority is dependent on agriculture, and agriculture -- we are mindful of the challenges and investments are going on in agriculture. But agriculture is something which I'll expand just now.

But when we look at how the benefit of economic growth will reach all that is what your question? But when -- it has to embrace both industry and agriculture. That's why I was -- I moved into agriculture, too, which was the one asked by Mauricio.

Yes, our agricultural sector has not grown as it should have after India's first green revolution. But let me quickly take you back that up to the end of '60s, we were a net food importing country. We could not feed our people. Our population was much less than 1.1 billion people, which live in India today.

The productivity of land has been low, and like South America or Africa or many other parts of the world. Because India has a history of settled cultivation of 5,000 years and all the land, even if cultivable, is not irrigated. A substantial part of land in India -- and for that matter, even in China and other countries of the region -- which are where the agriculture is rain fed. So, you're dependent on rains. But modern technology is being introduced.

And India is on the threshold of embarking on the second green revolution. First green revolution brought self sufficiency. We feed our own people. We also had food surplus for decades, which we give to other countries not purely for mercantile trade, but also many countries. For example, in Africa where there is humanitarian need and India has done so.

We are conscious of the challenges in agriculture because there is no country in the world which can produce enough to feed an India or to feed a China. We have to do it ourselves.

But yes, when we live in a world which is interconnected, we share technologies, we share experiences. And I'm sure that countries like America and other countries which will have technologies are both in improving productivity and also in crop diversification, will act in partnership with India as India will go in for the second green revolution. That will happen.

There are more funds which are made available for agriculture in India. Rural credit infrastructure was collapsing five years ago. We have restored it to very robust health. Farmers were given loan wavers. Sometimes we say that, well, this is a burden on the state exchequer. But states, welfare states, have to step in in times of crisis. If rich countries -- at least we are bailing out only poor farmers, if we did so. Here, banks had to be bailed out, businesses had to be bailed out, insurance companies had to be bailed out. So there is a huge difference that -- what we are doing and our stimulus as such has been very little.

And, therefore, in India's agriculture has to be put in that perspective. I was telling the U.S. Agriculture Secretary today, we really have challenges of deliveries, of storage, of transportation. Our pre-harvest, more than that post-harvest, management is poor. Our post-harvest losses are very high. If we are able to invest more in coal chains, in agro-processing, and food processing industries, it'll not only ensure more remeninity prices to our farmers, more jobs for people in the rural areas, also more disposable incomes. And we are doing that. As we are talking, there is much which is going on back home by the Indian industry. Because surely if they are going in for major acquisitions abroad, they're also investing in their own country and bringing in joint ventures in agriculture.

As I see, Rajan Mitten nodding, it means they are doing it. That's one of the companies which is already doing it. You have an Indian industrialists present in this room. These are those who have scripted major success stories in this field.

But they -- as we say that their challenges are enormous, it would happen because it is a continental size country which is just emerged out of centuries of subjugation. We may say that we are as a republic today 60 years old, but 60 years is too short a period in the journey of a civilized country. We shall reach shortly -- and we welcome criticism to be reminded that there's challenges that we have, so that there is no room -- as Mauricio, you were saying -- of complacency. We would not like to nor do we want to draw any wrong

conclusions. We are mindful of our constraints. We are not going in for protective barriers. We shall never do that. It is India which had cautioned the world against protectionism. It is Prime Minister Manmohan Singh who at the London G-20 had spoken out strongly against protectionist measures at the time of crisis, and he repeated himself in Darquila.

I, as the Commerce and Industry Minister, have done so in the WTO ministerial. We are very clear that in difficult times there is a tendency for countries to look inwards. This is the time to step out and engage more.

We are also aware that our share of global trade is very small. It's less than 2 percent in merchandise trade. Merchandise and services put together is less than 4 percent. So if you ask me, am I happy? Of course not. If you were in my shoes, you will not be comfortable. You would like your share to be more.

And, hopefully that will happen, but here's the flipside: that we were less impacted because our matters of production and consumption are different. India consumes two-thirds of what it produces. Not that the movement of goods does not take place within the country; it does take place. But we are a union of states and states within United States of America sometimes have the same issues. There are different regulatory mechanisms or even when it comes to giving permission to banks and insurance companies coming in.

So, there are rules which are there. But it's not that interstate trade is not there. That is not true. Our transaction costs are high, but we are going to introduce GST. A uniformity is being introduced because we are very much conscious about -- for the need to cut transaction costs. And therefore, the general sales tax, which will become a reality, will remove those barriers. There's a greater degree of predictability when it comes to trade and investments within the country.

And also quickly about not to make the mistake of becoming complacent or having a protective barrier. No, on the contrary, I would like you to recall my brief reference to what we're doing that in this period of crisis we assigned Sika Vicoria , we assigned FT

Wadasian . And it was not easy because there was opposition within our own country in Parliament, in the media, opposition parties that whether the Indian industry will be injured at this time when our own production has nosedived by entering into free trade agreements. But subsequent developments have proven us right, and we are in an advanced stage of negotiations with EU, as I mentioned, with Japan, and we started along with other countries. So it's not that we seek to engage more, we believe in -- we took the initiative to reenergize the stalled Doha round.

It was India's initiative in September which led to the resumption of negotiations, so we believe in a global trade regime. We do not believe in protectionism because that, in our view, will only deepen the economic crisis and delay the recovery. When it comes to our fiscal deficit of 10 percent, it's true. But fiscal deficit is not resulting only from the stimulus which we had given out incentives. It's also because of the big social security campaign and various national flagship programs which are created and funded. But we are conscious of that. We are bringing down the fiscal deficit, and the finance minister has set a target of bringing it down by 2-1/2 percent in every financial year.

So, we have balanced our growth and deficit. And we also are going in for consciously for modest disinvestment in some of the public sector undertakings to raise more finances. But -- I'm just concluding.

But lastly, I'll say that -- there's so many questions. But lastly, I'll say that --

MR. INDYK: I want to get you some more questions before we finish.

MR. SHARMA: Yes. But lastly, I'll say that I will not comment because we don't draw any sadistic pleasure from the crisis of others. But major economies have also faced huge deficits. The deficit in UK is much bigger than that of India, and I can assure you that India is not Greece. We have inherent strengths. For one reason I can say so, that it's not by accident that we survived. Or for the stimulus, because if you look at the stimulus, it was very little. It's because the fundamentals of the economy have been strong.

None of our banks collapsed. The exposure to toxic assets has not been there. They're not allowed to go in for that kind of instruments which were created in the name of derivatives. The Reserve Bank of India is not a department of the government of India. It is completely independent and autonomous and it is responsible for the regulatory mechanism. And same goes for the markets, where we have a fiercely autonomous body called SEBI, the Security and Exchange Control Board of India. So, there are mechanisms.

And another big reason the fundamentals when I refer to, in saving rates have been one of the highest of the world does not happen 2009. It's 37, 38 percent, India's national saving rates. And 35 to 36 percent is India's national investment rate. So, there's not money which is there in the market and which disappears the next morning. It is real money which is there. And when it comes to investments in infrastructure, it is coming both from the resource mobilization nationally, but more so -- also by the public/private partnerships, PPP mode. That is where infrastructure is getting developed. And it is Jeffrey Sach's report that if India will absorb -- mobilize and absorb \$1-1/2 trillion for infrastructure in the next one decade is going to happen. I don't see that, you know, creating a big hole in national economy. Rather, it will further strengthen.

Lastly, the question from Barry Bosworth, which is very relevant about G-20. I had kept it until the end. G-20 yes, because it is again reflective that the -- of the shifting equations. And the world moving from what was a transient -- from bipolarity, transient unipolarity to a multi-polarity -- to multi-polar world order because the problems are so huge that no country or group of countries can address the challenges that confront the world today. G-8 had become exclusivist and unrepresentative, and the multilateral organizations, too, are not representative of the contemporary world realities. And that's why G-20 today has come up, which can -- which has a representative corrector and, to some extent, with credibility address the political and economic challenges which are there before the world.

MR. INDYK: We barely have time for questions, but I promised them. So if you'll indulge me, I'll just take three questions, three quick questions from the floor for you to respond to.

MR. SHARMA: I'll be sure --

MR. INDYK: Could you please identify yourselves and make sure you ask a short question, because we have very little time? First of all, here.

MR. GORDON: Bernard Gordon, University of New Hampshire. Minister Sharma, I was one of those academic scribblers who, when you took over the ministry last May, was tremendously encouraged in connection with the World Trade Organization and the Doha round and so on.

Today, you got to that issue just at the very end of your remarks. So let me put the question very succinctly to you. You mentioned your free trade area agreements with Asia, with the EU. That leads me to suspect that, in fact, the air has gone out of the urgency in the Doha round. Am I being too pessimistic? I have been one of those who hoped that it would not go away. But you will know much more.

MR. INDYK: I've got to take them together. And then we'll have you add some. Okay?

Yes, down the back.

MR. GRINDSTAFF: Hugh Grindstaff. India's switching to a manufacturing segment and the Nano is one example. But how are the natural resources -- how are your availability of natural resources to develop the manufacturing industry? Do you have it in India or will you have to export a lot of the goods to make it go?

MR. INDYK: Okay. And the last question here.

MR. DAS: Hello, my name is Rajit Das, and I'm a master's student in international affairs.

My question to you, Mr. Sharma, is in light of the recent developments, you

hadn't mentioned India's "Look East" policy. What about India's "Look West" policy, like, for example, Pakistan and Iran?

Thank you.

MR. INDYK: Thank you.

MR. SHARMA: Last question first. "Look East" policy was in the context of engaging with vibrant economic neighborhood. That was also in the context of Asia's economic integration and Asia emerging as one of the major poles in the multi-polar economic order.

At the same time, that doesn't mean that we are not keen to engage with the immediate neighborhood. Sank is a reality today. Sank summits take place regularly, and the regional cooperation of the countries of South Asia is something what India challenges.

However, the facts of history and the geography of the region are -- cannot be written or altered by one country. I, for one, have no reason to doubt that the destiny of South Asia will be fulfilled if there is peace, there is harmony, and economic prosperity. That's why India wishes peace and stability in its region. And a region free of the threat of terrorism which threatens the most precious of all human rights, that's the right to live. But we are committed to engage with the entire extended neighborhood. This should not be doubted.

Regarding Doha -- and let me assure you, I'm as passionate in my commitment as I was a few months ago -- we know that multilateral negotiations are very complex. And the countries -- whether the countries which are developed are rich or the countries which are referred to as emerging economies, which are now India, Brazil, South Africa, all the LDCs, they all have to engage.

The developing countries have most to gain, and much to lose from the success or failure of the present round of WTO negotiations. We have a firm commitment to

take it to a successful conclusion. We have been engaged with all the key countries that are coalition partners in the developing countries, and with the key interlocutors in the developed countries. We hope that other key interlocutors, particularly United States of America -- and for that matter, EU as a whole -- give strong support for the conclusion of the present round, which will help in putting in place a global trade regime. I do not know if they have. I was told only today there was an interesting discussion among us and that there is a Peterson Institute study, which I am going to read, that is not that a country like India is going to gain much. So, even if that is true, we are committed. For one reason, a new global trade regime will correct the historical distortions.

B, if I go by other studies, it will add minimum 700 billion to global GDP annually. So we believe what helps the world eventually should help everyone. So, it's we should not look in the short context.

Now, Doha. The last thing was about the manufacturing the gentleman there had asked. Yes, we are mindful of the fact that the share of manufacturing in our GDP is low. Whereas the services preponderance is there, it's more than 55 percent. Manufacturing sector has been, in percentage terms, stagnating -- because I'm careful about using this word because it's not stagnating otherwise.

Since the Indian GDP has grown, since 1991, so manufacturing has grown. But it's share percentage here remains the same. We want manufacturing share to go up to at least 22 percent if not 25 percent, and less than 2 decades. We're coming out with a dedicated National Manufacturing Policy. My reference to skills training was in that direction. There are projections that India itself will need 300 million skilled manpower by the year 2012. That's very close. And 500 million by 2020.

India is a global leader in some of the manufacturing sectors. We are a world leader in auto components. This year, India is making -- manufacturing 2 million cars, and 12 million scooters and motor bikes and what. So, these are just one or two sectors.

Our -- the captains of industry know much more, though I veer ahead as industry minister, also. But they all, and my common secretaries here, they are the ones who are my teachers. So, they tell me and I can talk to you. But we are very particular about taking it forward.

MR. INDYK: Thank you very much, Minister Sharma. I want to give a belated welcome to the heads of industry from India represented here in your delegation from the Federation of Indian Industry. Thank you very much for joining us.

Thank you, Minister, for a really interesting and enlightening talk, not only about Asia, but also especially about India.

Thank you Barry and Mauricio, and ladies and gentlemen, for joining us. I really think we all have learned a great deal from you this afternoon, and we're very grateful to you, sir, for sharing your wisdom with us.

Thank you.

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