

Multi-Country Research Dialogue on
ENERGING ECONOMIES IN THE NEW WORLD ORDER:
PROMISES, PITFALLS AND PRIORITIES

April 12-13, 2010

Inaugural Session

Dr. Rohinton Medhora – Special Address

....I will spend no more than five or so minutes giving you a sense of why IDRC is interested in this. Rajiv in a sense gave the antecedents that the organisation has always had an abiding interest in global governance and international relation issues generally. But there is a more sort of recent lineage which I very quickly sketch which might go something like this. The currents of dialogue and developments on global governance probably began, the most recent wave probably began with the Asian crisis in 1997 and some of us might think that the other hallmark event of a completely different kind might have been the release of the 2001 IPCC report on climate change and the reason I connect those two is that they both showed a number of things. They demonstrated that developing countries and within them emerging economies are not simply sources of problems but were in fact part of the solution both financially and intellectually and in many ways they showed that global public goods and global public bads have to be tackled globally as well so that the interconnectedness and the complexity was the hallmark of the nature of the issue and therefore the solution had to be slightly wider than perhaps what we had received until them. So from that emerged what has now come to become the leaders level, the G20. Although part of the theme I suspect of this dialogue is also to recognise that global governance does not equal the G20. It is the most recent manifestation, perhaps it is the most central manifestation today but global governance is an issue that goes far beyond it and there are very many geometries around the G20 as well.

As with any system of global governance whichever one emerges has to balance two things. One is effectiveness in decision making and the other is breathing representation. And that is what

national, political systems strive to represent and that is what global political systems have to represent as well. In the case of the G20 the history of the 1997 antecedents with finance and central bankers has left two legacies mainly to do with membership and voice. The key issue is that G20 then was constituted to tackle what was then a very economic financial problem and as a result its membership today should not be surprising. It dates from those discussions and so the remaining issue to be sorted out in many ways which is not the theme of this meeting but nevertheless is connected, is Egypt Nigeria. So large countries that perhaps should belong and don't. The more broader issue though has to do with voice for non-members as well and indeed voice for members within what is a table among equals. Now there are very many sub-solutions that have been proposed for this. None of them are terribly promising, the one that perhaps holds the most water and the one that in some cases is almost emerging is the so-called variable geometry in which one is likely to see about 13 countries that will form the core of almost any discussion on any topic and then the other 8 or 10 countries that join might depend by the issue at hand. And as I say when you look around you think of discussions around security, climate change, indeed nuclear power which you find is that a variable geometry around G13 or G20 is already emerging. There is a competition of fora is the point I am trying to make here. That is one set of issues that we can also put aside but reflect on.

I think the main issue that certainly we at IDRC often think about when it comes to global governance is and its a highly clunky boring issue but one that is central to success is what is the information basis of research or analysis. Will then not provide breath of discussion that one needs. And so as we move ahead to different kinds of global governance, I think we need to reflect on the fact that the capability to provide dispassionate analysis to the leaders who gather to tackle complex issues is an important point especially when one recognises that there is no appetite and unlikely to be to create all the time brand new international secretariats or brand new international organisations. So again we are going to have to bounce this, thin inbounce between having imperfect existing organisations and then this new mode of global governance. One way forward here is possibly to use a light networked approach of thinktanks around the world which then bring their analysis together, these have to be now pooled and packaged and marshalled in a way that leaders can then discuss options but it seems to be that this is where we

all come into play. Emerging economies, India, Brazil, China, south Africa, whoever, now have considerable intellectual firepower nationally which can be harnessed into these discussions. How we don't know yet, when not entirely clear but it seems to me that one of the motivations when in fact Rajiv and ICRIER and others began their dialogue with IDRC was exactly that sense that we needed to be able to gather information and analysis from around the globe for what was essentially global problems and the solutions did not reside in one or two parts of the globe only. And in this sense I think thinktanks in emerging economies are extremely well placed to play a role and I do hope that as the global governance system settles into its next generation of function, that this becomes a central feature of it.

The final point I'd make on that subject which is the other interest that IDRC has in this endeavour is mixing and matching as I call it. Global governance and international relations can be come at in two ways. I think the traditional way is to have global governance specialists or international relations specialists talk about the issues and then you ask yourself what are the issues. Take a look at the programme for this conference, technology, agriculture, environment, health, climate change, these are highly technical issues. Leaders and negotiators or foreign negotiations people are not going to be able to do an effective job if they are not equally conversant in the technical complexity of the subject area. Certainly in my business we talk a good game about multi-disciplinarity and inter-disciplinarity and so on. But I think the value of this kind of meeting and whatever follows is very much to get international relations specialist thinking about the very technical complexity of the subject area and equally important to get the subject areas specialists, which is to say most of you, to start thinking about the international relations dimensions of what they are doing. And so one step is to exchange national experiences, the next step which I think is the essence of global governance is to see how that exchange of national experiences can create some kind of framework within which we all operate and within which we all live and within which we all think we are making the globe a better place. And so that in a few minutes is my organisation's motivation for being with you all and I thank you again.

Dr. Rajiv Kumar - Chairman

Thank you very much Rohinton for those remarks. Just before I request the deputy chairman of the planning commission to address us, I can't help but saying that it is a good feeling to realise that we are just ahead of the initiative that Justin Lin, the chief economist of the World Bank is taking in bringing the thinktanks together at the occasion of the World Bank conference in Stockholm at the end of May where he is also trying to do the same which is to bring the thinktanks of emerging economies together to discuss the development issues. So that is just by way of as an aside.

With that may I please request the Deputy Chairman, Mr. Montek Singh Ahluwalia to address us.

Mr. Montek Singh Ahluwalia – Inaugural Address

Thanks very much Rajiv and let me add a voice of welcome to all our guests from abroad who are here. It is really nice to be able to address a gathering which has so many representatives from emerging market economies. I don't actually have a predetermined address to give and so what I would like to do is just share some thoughts that might be of some use. I feel that in terms of policy making, I want to make a perfunctory remark. You made some reference to Justin's conference, no harm in these conferences but I think the logic of sharing experiences is actually quite independent of whether there is global governance, whether there are global conferences, whether there is a global community organised around this. I mean ideally it is very important to share experiences simply from our own point of view, therefore maybe I just have a very national focus right now but to my mind the most useful thing in this sharing of experiences at least looking at it from India's point of view is that our researchers interact with researchers in other countries from other countries strengthen their perspective on what's going wrong here and use that as an input into their own government. There is of course the other dimension, any growth of knowledge about development as a result of all this will filter through the various global governance processes into global decision making but to my mind the real test of the usefulness of this sort of exercise and I think potentially it is very very useful, is that in each of our countries people feel that the researcher is looking at that country's problems have actually become more credible, more convinced in their recommendations and also more credible

because they have actually looked at experience elsewhere. And I feel that in some ways I think the World Bank does a wonderful job, I mean used to work for the World Bank a long time ago, I have a lot of affection and regard for it. The World Bank does a wonderful job of intermediating experiences but in my view that is no substitute for a direct exchange.

I mean we should know what is happening in Brazil and China and Indonesia and Thailand, it is undoubtedly true that the bank being a very highly skilled bunch of people can produce the best possible summary in 200 pages or 300 pages of the experience of all these countries but I have always said to the World Bank that they should actually support direct exchange between researchers. When you hear someone talk about what is going on in his own country and you ask him or her questions, that is very different from reading a little box in some World Bank report that says that Zambia has done something wonderful or South Africa has done something wonderful. I was able to persuade the World Bank and I think I give them a lot of credit for actually agreeing to do this that on issues of nutrition where Mexico through their Progressa programme was quite a pathfinder in moving away from multiple subsidy linked programmes to a sort of conditional cash transfer programme. And we persuaded them to get someone to come down from Mexico and give a lecture, a lot of Indian ministries and others listened. I just found the chemistry of that interaction was much better than simply hearing it third hand from someone who has studied Mexico and is actually based in Washington DC. So I think I feel personally that this sort of exchange is enormously valuable, I am glad you are doing it and congratulate IDRC for making that possible and I hope that you will have a very good interaction.

But I would emphasise that 80% if not 85% of the outcome should be directing the implications back to one's own government. The global governance thing is a separate issue that is going on but how much impact does it do on that structure is I think very difficult to determine. Actually it is a test of that structure. To an extent it takes on board the lessons of individual countries' experience and I think that is an open issue. They focus on a few things whereas what you are dealing here is a very rich texture of issues that are relevant for a developing economy. A couple of other points I want to make, one is that I am saying all this in a self-critical way because we have to look at this in the planning commission, India's experience. One of the puzzles, dangers of taking lessons is taking superficial lessons. It is very easy to come back from China, I am

giving one example, come back from China 15 years ago and say China has done a wonderful job of specialised export zones. I mean they have done a wonderful job everybody agrees with that. Our guys came back and produced something which they called specialised export zones which actually had no relationship whatsoever to what the Chinese were doing except the name. So it is very easy to learn superficial lessons and then find that things are not working and then spend a lot of energy trying to work out why they are not working. And I think this is in cross country analysis, it is extremely important to be able to analyse what is it really that made it work. I don't say this by the way only about cross country, I mean we have the same problem within the country. We have any number of schemes. Being one country tendency is that there is a sort of national commonality of these schemes. So a scheme that exists in one state also exists in another state. The fact is that these things do extremely well in one state and do extremely poorly in another state. So the superficial lesson of saying this works very well here, let us do it here doesn't actually lead to these as you want. Now how to actually zero in on what is it that is making something successful is a very tough job for the simple reason that many things go into making something successful including a lot of pre-conditions which are substratum. They are not merely something that you organise when you set up the project itself. So I would hope that when these sorts of conferences take place, we dig deeply into what is it that really caused whatever we are regarding as a positive thing to have actually happened because I think part of the problem with the growing of lessons has been that in the past it has tended to gloss over this problem. In fact if the international effort, that was the nature of the critique of the Washington consensus, that because of the desire to draw common lessons, some lessons were identified and it wasn't actually that the lessons were wrong either. I mean very broad terms and I don't think anyone called for them. But as a guide to policy they very often led to completely unworkable kind of situations and some of the brightest minds were involved in some of these prescriptions, it is not because the guys pushing them were not adequately trained. So I think this is one of the things research can do and one of the things that cross regional experience/ exchange can do is to enable one to have a much better sense of why that is happening and how one can actually avoid it.

The last point that I want to make, I didn't realise that you are going to leave, there is going to be an opportunity to exchange views, the last thing that I want to mention is I was a member of the growth commission which the World Bank set up under my expense, a very enjoyable experience. Possibly my only contribution to it, after all very very bright people there, I suggested and everybody agreed and we did implement that we had a list of bad ideas. Now I am putting forward a hypothesis, the hypothesis is that the generality or validity of bad ideas is much greater than the generality or validity of good ideas. If you mind some country made a mess, drawing that lesson would be infinitely more useful because there is something about a mess which lends itself to avoiding it much more than success lending itself to replicate it. Now usually the tendency is, we also say we draw lessons. I am talking about PROGRESA, Bolsa Familia and Brazil, they are known to be success stories. I think it is almost as useful to learn what actually went wrong. I think we tried to draw up a list of ten items that were pre-universally agreed to be bad ideas. And that report was written very much in the spirit of one half of your objectives of trying to inform leaders. And it is my hypothesis that you can't expect leaders to read more than maybe 25 pages on a long flight. You have got the Pm or the President captive and two hours to go, give him 25 pages that is well written, there is possibly a chance. Otherwise what happens, the civil service gives a huge report saying this is very interesting sir and these are the points they are making. So they are always getting it second hand. If you read 25 pages, my view was that if you have made a list of bad ideas, they would stick in their minds. No matter what the circumstance is except I mean some extreme thing like war or whatever, please do not do a) b) c) d). Most of the good ideas, they are there for a while but then they get muted.

So I hope that in the research we get a sense of what didn't work and as if we are learning from our mistakes rather than just learning from our successes. We made a lot of mistakes in India, so I think Indian researchers should be in very strong ground disseminating but I would encourage our visitors to actually share some of those. One of the interesting kind of things to look at which is very relevant for India is public sector enterprises. I mean the general perception in most parts of the world has been that public sector enterprises have actually never succeeded. I mean except in very very specialised areas or where the state monopoly is virtually essential. In India we are aware of all that and I don't think we think that our public sector enterprises have succeeded but

we have a political constraint and we reflect that political constraint by saying that public sector enterprise, we can reduce the equity of the government down to 51% but unless it is an absolute ruin we will not actually privatise. That is the current policy. It will be very interesting to know for example in other countries, what is actually the experience. Clearly in one sense China is an interesting example, the fastest growing country for the last two decades. There is some issue as to how much of the enterprises are public sector, not public sector and that aspect would be of great interest. Is it that certain forms of governance actually overcome what creates a problem in other countries or is it inherently the public sector enterprise. That is not as I see what is in the paper here but that is an interesting subject. I am delighted that a lot of thought is being given in the papers to agriculture, that is a key area. We are ourselves trying very hard to get an improvement in the performance of agriculture and I think it is an area in India anyway where people recognise, I mean nobody expects agriculture to grow very rapidly, we are really expecting to grow at 4% and it is not growing at 4%. It improved a little bit but probably at the moment about 3% and it was earlier gone down to about 2%. So going from 3% to 4% is not an impossible task. But the fact is there are huge productivity differentials between India and other countries. The best of India does quite well but the average is not quite good at all. And anything that leads to some perception of what is happening and why will be of great help here.

I am really pleased that there are a lot of papers on innovation. This is the new, even in our kind of environment it has entered the litany of buzzwords. It is amazing actually, a lot of progress takes place through buzzwords. The dissemination of ideas, the issue for an idea which is not translated into a buzzword, the chance of it getting into government is very low but if you have an idea and you convert into a buzzword, then it sort of enters. It has a kind of a penetrative capacity which is otherwise lacking. Everywhere I go we are talking about innovation. We have even set up a small group to ask the question, what is innovation. And it actually brings back very substantially the whole debate on how active must government be as opposed to just create an environment, nowadays actually many of these people call it eco-system. Environment has got taken away as a word by specialists, so create an ecosystem that will promote innovation as opposed to what is the role of government in actively pushing innovation. I am really glad that the papers here and I believe you are going to have sort of summary at the end and I will

certainly look forward to reading all of that but I will be particularly interested in the innovation area because it is something for the emerging market countries which are just about hopefully getting away from preoccupations with the absolute basic essentials and even though certainly for India large parts of it is still preoccupied with the basic essential, you can see there are very substantial part of the economy now is grappling with different set of problems. So while this dualism is unavoidable for us, the part of the economy that is battling with the global problem is totally clear, that if everybody has an innovation policy, then we must also have innovation policy. It is not at all clear to me what that innovation policy should be. Quite honestly when I probe this, it always seems to me, a lot of it seems to me exactly like good old fashioned protectionism. Innovation policy means government must do more funding. Probably true but what kind of funding. That is an interesting question.

And the other approach to innovation is innovation will never succeed unless you support the domestic innovators. Here is a domestic innovator, so you must support him. So let us support him but how is an interesting question. And actually I think knowing what is happening in other countries in this respect, early would be of great help at least to us. So I am delighted that you are doing that. That is all that I wanted to say other than once again to welcome you and that I look forward to the outcome of your discussion. Thank you very much.

Prof. Amit Ray – Vote of thanks

It is my pleasant duty to propose the vote of thanks in concluding this inaugural session. I would like to take this opportunity to thank the honourable Deputy Chairman of the planning commission Mr. Montek Singh Ahluwalia, for a very very encouraging and informal exchange session. He has taken time out from his extremely busy schedule particularly at this time of the year when he is supposed to be meeting the chief minister individually for state allocations. Sir, we are indeed grateful and honoured by your presence. Your words of encouragement will go a long way in making this initiative a great success. Thank you sir.

This programme has been made possible by a very generous grant from the IDRC of the Canadian government. I must thank Mr. Rohinton Medhora, Vice President, IDRC for his presence at this inaugural function and I look forward to his active participation and inputs

throughout this dialogue. I must express my personal appreciation for Dr. Stephen McGurk, Regional director, IDRC south Asia-China who has been ever so supportive for our initiative right from its conception till its implementation. His academic inputs and comment proved invaluable in giving shape to this very unique programme. He was just a phone call away whenever we needed his advice. Thank you Stephen.

I am very grateful to all international guests and Indian scholars, experts and session chairs for accepting our invitation to be a part of this research dialogue. Without your participation of course, this entire initiative would have never taken off. A special word of appreciation to all paper writers for respecting the strict deadlines. I apologise for my emails insisting on the deadlines but I am sure you would appreciate that it was important for us to go through the paper in advance given the structure and the format of this programme.

Dr. Rajiv Kumar, Director & CE, ICRIER has helped us in all possible ways to make this dialogue successful. Without his proactive support and involvement it would not have been possible to take this unique initiative off the ground and make it a grand success.

I must also thank my colleague, Mr. Manmeet Ahuja whom I don't see here but he must be around and his dedicated team for handling the logistics with such perfection. Some of the guests mentioned to me yesterday that the travel and other arrangements have been handled so efficiently and smoothly, the entire credit goes to Mr. Ahuja and his team. And finally last but not the least I am most grateful to two members of my research team, Sirjan and Sabyasachi, who have been with me all the time to extend their helping hands in all the dimensions of the programme and more. It has been a privilege for me to work closely with the two bright young scholars. Their enthusiasm, ideas and inputs have helped me to think out of the box in designing and implementing this very unique initiative. Thank you all, thank you very much.