

**Mr. Pranab Mukherjee, The Union External Affairs Minister address at
ICRIER's Silver Jubilee Conference on 7th Nov, 2006, Vigyan Bhawan**

Mr. Chairman (Shri N.K. Singhji),

Dr. Isher Ahluwaliaji,

Ladies and gentlemen,

At the outset, I would like to congratulate ICRIER on its 25th anniversary and commend the excellent work that has been done by this organisation in contributing to the economic developmental processes in India. I am happy to be a part of these anniversary celebrations.

Many of us will recall the global excitement of the mid-1990s, when the technology boom was driving the global economy. The economic decline that followed - from the East Asian financial crisis to the downturn in technology stocks - had a greatly sobering effect on the global economy.

Today, that sense of excitement is back, particularly for us in India. Yet, this time around the sense of exhilaration is different. That is because there has been a maturing of the global economy - there is a sense of steadiness and stability, but yet there is also dynamism in the global economy. The global economy is indeed well poised for growth. With this as the overall backdrop, the economic growth registered by India does not really come as a surprise.

For India, these are undeniably momentous times -- as our brisk march forward into the 21st century depicts. As we stepped into the 21st century, the Indian economy registered a growth rate of about six percent. In the more recent past it has been about eight percent. Double-digit growth rate, which every economy aspires to achieve, is no longer in the sphere of conjecture in India; it is very much in the realm of possibility. There is cause for optimism on various accounts that are indicative of our general economic well-being - the Sensex has crossed the 13,000 mark, exports have crossed the US\$100 billion mark and has been accompanied by a 25 percent surge in exports, and there are rising foreign exchange reserves. It is not only government that is showing optimism on this account, the same is true of the economic pundits, national and international, as well as international economic investors. Forecasts by Goldman Sachs and Morgan Stanley are universally known and are only two of the several that have been made, which predict and project the promise of a significant growth scenario for India.

India's role in the global economy is defined by who we are. A nation of one billion people, where the principles of democracy form its core values, where free enterprise has free reign, where the rule of law is firmly rooted and an economy that has registered a sustained growth only matched by a few other countries.

In short, India's political stability together with reform in the economic sector, in particular the financial sector, has been the driver of India's economic development. But it would be remiss of me not to mention and acknowledge the commendable role of India's corporate sector - India's domestic entrepreneur who has proven his competitiveness in the international arena.

To understand India's role in the global economy, it is essential to have a sense of the state of the global economy. While the state of the global economy at the turn of the century did raise some concerns, global growth rates have been quite steady in the past four years or so, at over four percent per annum. While large fiscal deficits continues to be an international phenomenon that raises concerns worldwide, there are also issues that are particular to a region or to a country that needs to be monitored carefully.

While geographic borders define nation states, economic borders are becoming increasingly seamless. The global economy is today a function of increasing cross-fertilisation. An idea germinating in one country is incubated in another and finds application in a third. Real-time globalisation is in effect. The global economy is increasingly defined by freer and substantive movement of ideas and capital and this movement is facilitated by the technology revolution, in particular information technology.

For a developing country like India, as is true for many other developing countries, perhaps the greatest challenge is to deal with the phenomena of globalisation. How does a developing country derive the maximum benefits of globalisation, and yet insulate the economy from the risks that are quite inherent to globalisation? It is also necessary to be cautious that in this delicate process, there is no backlash against globalisation. In short, management of the process is a quintessential requirement. While the debate on the subject will continue, it is also a reality that India is inexorably engaged in this process of globalisation.

The role of India in the global economy is of no mean significance. In the ultimate analysis, this will only be enhanced as India's middle-class grows. Much has been said on the subject of India's middle class, and the growth of its purchasing power. The certainty of the potential that the growth of this sector of India's population presents is unquestionable.

Mr. Chairman,

Ladies and gentlemen,

It is essential for me to be able to define our objectives so that India can achieve its full potential. What is it that the government will have to do to ensure that our dreams of achieving growth rates that will propel us to those magic numbers that are being forecast?

First and foremost, the infrastructure deficit in the country will need to be addressed. For India to maintain its momentum of economic growth, it needs better infrastructure,

including highways, ports and airports, railways and most of all urban infrastructure that meet world-class standards. There is an urgent need for aggressive investment to improve the country's infrastructure through higher levels of FDI. Here, public-private partnership can come together to play a critical role in the development of India's economy. The government is fully engaged in this process. And my Ministry will be engaged in this closely to explore new avenues to harness FDI for infrastructure into India.

Secondly, India's population potential is tremendous. We are a young country, with 50 percent of the population below the age of 25 years. To ensure that young India is not disadvantaged by globalisation, education is of critical importance. Access to education is essential. While government has taken several measures through policy and legislative frameworks, there is need for all of us to work together for ensuring and enhancing quality education for all Indians.

Thirdly, it is a combination of the population and excellent education facilities that provides the distinctive human resource of India. India's competitive advantage has been on account of the highly skilled manpower that India has been able to produce. This has indeed been a matter of great pride. We must be able to harness the full potential by investing in R&D, and providing more opportunities for innovations and technology development. Greater participation of the private sector in this area can provide adequate impetus to this area is the necessity of our times.

Fourth, energy security is of vital importance for India's burgeoning economy. New and innovative methods of addressing the energy deficit in the global economy are a crucial need of the hour. While diversification of energy sources domestically will need to be accelerated on the one hand, diversification of energy sources internationally will also need to be intensified.

Fifth, greater global economic integration. India has for many years recognised the fact that its economic growth is closely linked to the economic progress of other countries. Measures have therefore been taken to strengthen the inter-linkages with other economies, institutionally. We have been very supportive of initiatives to strengthen SAFTA, BIMSTEC, and economic links with the ASEAN. This is in the neighbourhood of India. At the same time, efforts continue to strengthen linkages with our traditional partners in other countries in Europe, in Asia and in America. New initiatives in the Latin American continent and in Africa in recent times are also aimed at greater global integration.

Sixth, India has played a very significant role in the multilateral economic processes. We have worked closely with like-minded countries in the WTO, and in other economic fora so that the multilateral framework of economic cooperation can be harnessed for the benefit of India, and for other developing countries. Reform of the international financial architecture, viz. the multilateral economic institutions has also been an area of priority for us. Unfortunately, the international community has not been able to come together and develop a common approach to deal with issues that affect us all. India would need to continue to work with its partners to achieve its objectives in this important endeavour.

As I participate in this discussion and share with you my thoughts of India and the global economy, I am reminded of the importance of organisations such as ICRIER, which can play such a vital role in generating debate and discussion and in the opinion making on issues which are critical for taking the economic development of India forward. It is imperative to turn the many challenges and constraints that face us into opportunities for investment and growth. India's renowned economists, so many of whom are represented in ICRIER and in this Conference, must dwell on the manner by which this can be done most effectively and quickly.

I would like to thank ICRIER for giving me this opportunity to participate in these discussions. I wish the organisation all success in the future, under the dynamic leadership of Dr. Isher Ahluwalia.

Thank you.