

**Oration by Professor Kishore Mahbubani, Dean, Lee Kuan Yew School of Public Policy, National
University of Singapore, at the Pravasi Bharatiya Divas, Jaipur, 8 January 2012**

Global Indian – Inclusive Growth

Her Excellency, Kamla Persad-Bissessar, Prime Minister of Trinidad and Tobago
Distinguished Guests, Excellencies, ladies and gentlemen,

It is truly a great honour to be invited to deliver this oration. Yet, I do wonder whether the organisers of the 2012 PBD made a mistake in inviting me to present this speech. The goal of any speaker is to make the audience “feel good” after his address. However, the new world that is emerging is one that is outside our comfort zones. Hence, if we are to prepare for this new world, we must be willing to step outside these comfort zones. This may explain why I have been invited: to make you feel uncomfortable. One of the best compliments I have received in my life has been from *The Economist* magazine which once said, “For a diplomat, Kishore Mahbubani is refreshingly rude”.

Let me therefore begin with a very rude comment: as the world has changed completely, India now has to play a new role on the world stage. It has to go from being a traditional opponent of globalisation, to becoming a champion of globalisation. And why should India become a champion? The simple answer is that no country can benefit from globalisation as much as India can. The theme of the 2012 PBD is “Global Indian – Inclusive Growth”. We have come here to discuss how to reduce poverty. The best way to reduce poverty is to champion globalisation, not oppose it.

Why am I confident that India will benefit from globalisation? I can cite many reasons. The first reason is obvious. Look at the record of India’s economy. When it remained relatively closed from, say, 1956 to 1975, it grew at 3.4% a year. However, when it became relatively open, from say 1995 to 2007, it grew at over 6.5% and over 8% in more recent years. This provides strong proof. Let me add here that my remarks today will build on the excellent oration delivered by Professor Jagdish Bhagwati in 2010. During his speech, he said, “Recall that the Indian policy framework had degenerated into an unproductive, even counterproductive, set

of policy choices that had produced the abysmal growth rate of approximately 3.5% per annum over nearly a quarter of a century. With an average population growth at 2% per annum, that translated into a per capita growth of roughly 1.5% per annum! We Indians, with our ability to do compound arithmetic in our heads, can readily see that, compared to the growth rate at 7-8% per annum which countries in East Asia had registered (and which our reforms have led to since the reforms began in earnest in 1991), we had lost growth by roughly 4% percentage points annually and that our income level would have been 2.5 times larger than in 2010 if only we had registered this higher growth throughout the last 45 years rather than only after the 1991 reforms. We would have been at the center of world attention far more dramatically, and indeed sooner.”¹

The second reason is even more conclusive. Globalisation creates open borders. The winners of globalisation are those who can compete across open borders. And which human tribe has proven that it can compete across human borders? The simple answer is that it is the overseas Indian community. There are now over 30 million Indians living, working and often thriving in over 130 countries in the world.² There are few human tribes who are as globalised as the overseas Indian community. A lot of them have succeeded against all odds and against the world’s best.

And what is the implication of all this for my key argument that India should become a champion of globalisation? Let me use a simple analogy to explain my point. The human species now lives in 193 separate countries. This is analogous to the fish species living in 193 separate tanks in an aquarium. We know very well that fish that can survive in one fish tank may perish in another fish tank if they are exposed to new competition and new challenges. There are very few fish that can survive in most, if not all, fish tanks. The success of the overseas Indian community in over 130 countries shows that Indians can compete in virtually any environment around the world. Apart from the overseas Chinese community, I cannot think of any other human tribe that can succeed across the globe as well as the overseas Indian community.

Let me drive home my rude and uncomfortable remark by pointing to the most competitive fish tank in the world: the fish tank called the USA. One key reason why the U.S. emerged as the most successful economy and society of the world for several decades after World War II is that it attracted the most competitive fish

1 <http://www.pbdindia.org/jagdish-20book.pdf>

2 http://business.gov.in/overseas/problems_effects.php

from all around the world to come and swim in its tank. We all know that the best and brightest came from all over the world to compete in America. In social science terms, I can think of no better laboratory to assess the competitiveness of different human groups than to look at their relative record in the U.S. The environment in the U.S. could have helped, but more importantly, the grit, determination, and ability of the Indians to swim and succeed stands out. (Note: let me emphasise here that I am acutely aware that I am making remarks that are deemed to be politically incorrect in many, especially Western, societies. But I believe that we cannot ignore uncomfortable realities, no matter how much discomfort they may cause.)

When the best and brightest from all over the world went to the U.S. to compete, which group emerged as the most economically successful? Someone actually asked me this question once. I assumed then that the answer would be the Jewish community, who have been remarkably successful wherever they have been. Hence, I was truly shocked to discover that the most successful community in America has been the Indian community. There are roughly 3.2 million Indian-Americans living in the U.S. According to 2007 to 2009 data, they led all ethnic groups with a median household income of \$86,660. And the per capita income of Indians in America was \$36,533.³

I am now going to make a very dangerous extrapolation, which will be hotly contested by everybody, but I am going to make it anyway. If we can raise the per capita income of Indians in India⁴ to one-third that of the Indian-American community, the size of the Indian GDP will rise from 1.73 trillion⁵ to approximately 14.74 trillion⁶, or 8.5 times the size of the current Indian GDP. The lesson here is therefore clear. If we want the Indian GDP to grow in size (and therefore have a much larger cake to share with India's poor), the way

3 <http://www1.m.timesofindia.com/PDATOI/articleshow/10752245.cms>

4 US \$1476.6: GDP per capita in current US\$, India. Source: World Bank, World Development Indicators

5 Gross Domestic Product in current US\$, India. Source: World Bank, World Development Indicators

6 In 2011, the Indian population in 2011 was 1.21 billion. A third of Indian-Americans' per capita income of \$36,533 is \$12177.70. Multiplying \$12177.7 by 1.21 billion, the result is 14.74 trillion.

forward is to expose the 1.2 billion Indians in India to the same competition that the 30 million Indians residing overseas have been exposed to. This is also what Prof Jagdish Bhagwati said at this PBD event in 2010. “Prime Minister Manmohan Singh told me,” he said, “that an important part had also been played by the Diaspora. He told me that, when he was spearheading the reforms as the Finance Minister, Prime Minister Narasimha Rao had lent his full support largely because many members of his own family who were abroad had told him that India’s policies made no sense and that they had diminished our standing in the world. Coming from his own family’s immediate experience abroad, the message carried great salience and cemented the resolve of the Prime Minister to pull India out of the rut into which it had fallen.”⁷

Here, let me admit that I will be accused by many of being overly simplistic. Let me respond by telling you a story which I know to be true, but I cannot verify, for obvious reasons. We all know that China’s economy took off after Deng Xiaoping opened it with his Four Modernisations programme. Why did he decide to open up after Mao had closed it? There must have been many reasons, but I do know that he asked one simple question: why is the overseas Chinese community much more economically successful than the Chinese in China? And this was his simple answer: the overseas Chinese have been exposed to global competition and opportunities and have succeeded in this global competition. Hence, the Chinese in China would also succeed by being exposed to similar global competition. The answer that Deng Xiaoping gave for China can also hold true for India.

By now, apart from being accused of being politically incorrect, many of you will want to accuse me of being simplistic. It is indeed true that there was a lot of complexity and sophistication in the intellectual arguments made in China. A glimpse of the complexity of these arguments can be obtained in a recent book by Justin Yifu Lin, the Chief Economist of the World Bank (and I am glad that Justin Lin and I spoke on the same panel together at the Delhi Economics Conclave on December 14, 2011). Martin Wolf, the influential *Financial Times* columnist, in his review of the book, points out how careful and intelligent China’s policies were. “A point more relevant to policy is the distinction Prof Lin draws between ‘comparative-advantage-defying’ and ‘comparative-advantage-following’ development strategies. The former, he argues, have characterised most developing countries. The results included unviable enterprises, huge subsidies, distorted finance, pervasive corruption and feeble growth. In his view, the basis of Chinese contemporary success is that its policymakers encouraged the economy to evolve in the direction of its dynamic

⁷ <http://www.pbdindia.org/jagdish-20book.pdf>

comparative advantage. That is what 'reform and opening up' means."⁸ There was a cost to this which the Chinese government and financial institutions took on knowingly.

There is, however, one big difference between China and India. In looking overseas, China could point to three societies which had overwhelmingly Chinese populations: Taiwan, Hong Kong and Singapore. All three have become enormously successful by becoming three of the most open economies of the world. China learned valuable lessons from these three economies. India does not have a Taiwan, a Hong Kong or a Singapore to emulate, but it does have overseas Indian communities that have succeeded in over 130 countries in very different competitive conditions. The closest that India has to a Singapore is Mauritius. This is why PM Manmohan Singh, while addressing the PBD in 2007, said, "When I was in Mauritius I said to some of the Mauritian people whose ancestors hailed from Bihar that they should go to Bihar and inspire the people there to make a Mauritius out of Bihar. I could say the same thing about other parts of the country. When we Indian farmers are creating agricultural wealth in California and in the trying climes of Canada, I wonder how much more our own farmers in India are capable of achieving. I sincerely hope that we in India can work together to create an environment in which the best of every Indian can find his or her fullest expression. I want every Indian living and working in India, to aspire for the global recognition that a Zubin Mehta, a Lakshmi Mittal, an Indra Nooyi, an Amartya Sen and our chief guest Prof. Jayakumar or a Kalpana Chawla gets when they go overseas."⁹ In short, the lesson of this is clear: Indians can compete anywhere in the world. Your success proves this. But the economic climate in India must change and improve.

This is why the biggest contribution that the overseas Indian community can make is to persuade India to be a champion of globalisation. The recent Indian decision to call off the opening of the retail sector was particularly unfortunate. Indians are naturally competitive in the retail trade. You all know this. I also know this from personal experience. After the partition in 1947, my family left Pakistan and went all over the world. I now have first cousins in Suriname and Guyana, Texas and Florida, London and Spain, Ghana and Nigeria, Mumbai and Calcutta, Japan and Hong Kong, and, of course, Singapore. This globalised family has thrived in the retail trade in all kinds of circumstances. For example, my mother's three brothers arrived in Suriname

8 <http://www.ft.com/intl/cms/s/2/5acad17a-1cdf-11e1-a134-00144feabdc0.html>

9 <http://pmindia.nic.in/speech/content4print.asp?id=485>

and Guyana with hardly a penny in their pockets. In less than a generation, they owned some of the largest department stores in those countries.

There is one important point worth emphasising here. If other countries were to emulate India's example and say that the retail trade can only be done by local citizens and foreign entities, one of the main communities to suffer would be the overseas Indians. Given this background, the overseas Indian community must now do a fundamental re-think of its contributions to India. So far, it has helped India with remittances. Between 1975 and 2011, overseas Indians sent back about US\$475 billion.¹⁰

(Chart based on World Bank data. See detailed table in Annex A)

These significant amounts in themselves reflect the success of overseas Indians in competing globally. However, money is not what India needs the most today. What it most urgently needs is new ideas from the overseas Indian community and the determination in India to deal with desperately-needed changes.

Please let me explain here why this need is becoming very urgent and pressing. The urgency comes from the fact that we are entering a completely new era of history marked by two distinctive features. Firstly, we have reached the end of the era of Western domination of world history. The end of the era of Western domination of world history does not mean the end of the West. Indeed, I hope that the West will continue to remain a strong and dynamic civilisation. However, its capacity to dominate or even lead the world is disappearing. Secondly, we are seeing the return of Asia. I call it the return of Asia rather than the rise of Asia because from the year 1 to the year 1820, the two largest economies were always those of China and India. Hence, it is only in the last 200 years that Europe took off, followed by North America. When you view the last 200 years against the backdrop of the last 2,000 years, the last 200 years have been a major historical aberration and all historical aberrations come to a natural end.

The end of Western domination of world history could also mean the end of Western leadership of the world. This brings new dangers for the world. One of the most benign contributions that the US and Europe have made to the global order has been the creation of the 1945 open rules-based global order, centred on the United Nations (UN) and the Bretton Woods Institutions. Another key pillar of this open global order has

¹⁰ Total remittances from 1975 to 2011 = US\$475.031 billion (figures from <http://econ.worldbank.org/>).

been the World Trade Organisation (WTO). For several decades, the US and Europe were good custodians of the processes of globalisation¹¹, especially the processes of opening up the global trading system, because they believed that they had the most competitive economies, and with more and more globalisation, their economies would benefit. Now as you all know, both the US and Europe have become less confident. They believe that if they open up their global economies, their jobs will go to the Chinese and Indians, not to their own people. This is essentially why the Doha Round is stalling. This open global system is not going to remain open unless it has a good custodian. America and Europe are gradually backtracking from their custodian responsibilities. So far, no country is stepping up to fill that role. The most appropriate candidates would be the countries who will become the new winners with open globalisation. No doubt India will become one of the two winners, together with China. Hence, India and China should now become the two champions of globalisation. However, this can only happen if we can persuade the Indian political class and the Indian people of the merits of globalisation.

Let me also make the obvious reverse point. If there is a major reversal in the open processes of globalisation, the biggest losers will also be China and India. Both China and India are now enjoying the best opportunity in two hundred years to emerge as major global economies. This opportunity may well disappear if the world recedes into protectionism as a result of there being no champions of globalisation. Fighting such a reversal should be the main contribution of the overseas Indian community. By doing so, they will do more to help the long-term interests of India than all their remittances can do.

So far, I have been providing the selfish reasons for supporting open globalisation (i.e. it will benefit India and the overseas Indian community). For the record, let me also provide the altruistic reasons for doing so. I believe that strengthening open globalisation will also benefit all seven billion people on our planet. Open globalisation is the reason why the world will succeed in meeting one of the few UN Millennium Development Goals (MDGs), namely to halve global poverty by 2015. Look at how the story of Africa is changing. In early December, *The Economist* came out with a story called "Africa Rising". And why is Africa rising? It is rising

¹¹ There are many definitions of "globalisation" but one of the best is provided by Professor Jagdish Bhagwati. His definition is as follows: "Economic globalization constitutes integration of national economies into the international economy through trade, direct foreign investment (by corporations and multinationals), short-term capital flows, international flows of workers and humanity generally, and flows of technology."

Source: *In Defense of Globalization* (New York: Oxford University Press, 2004), 3.

because more African countries are participating in open globalisation. The arrival of new Chinese and Indian companies is giving these economies new opportunities they never had when they were dominated by the West. In short, by championing open globalisation, we will be doing good for ourselves, good for India and good for the whole world.

The obvious question to answer at this stage is this: how does the overseas Indian help India champion globalisation? Let me suggest three ways (three CoGs, as the acronym for each of the three is CoG): Firstly, we can create a *constituency of globalisation* in India. Secondly, we can foster a *community of globalisers* across the world. Thirdly, we can help to manage the *challenges of globalisation*. All three goals are eminently achievable and within our grasp.

Firstly, to create a constituency of globalisation in India, we should invite all the key policymakers and opinion makers to visit overseas Indian communities to learn, on a first-hand basis, how well Indians thrive in open globalisation in all corners of the world. The role of the Indian Parliament and Indian media are especially critical. For a long time, the US Congress was the champion of free trade. Now it is becoming increasingly wary of free trade. One of the reasons is that many US Congressmen are proud of the fact that they have no passports and do not travel overseas. We should ensure that every Indian Member of Parliament, both in the Lok Sabha and Rajya Sabha, travels overseas at least once a year to visit successful Indian communities to understand how their success stories are demonstrating the real potential for India. Hopefully this will, over time, change the tenor of the debate in the Indian Parliament and make it less insular and closed. Both the language and conceptual structures of the debate in the Indian Parliament will have to change to enable India to emerge as a champion of globalisation.

Even though I am strongly recommending that India should become a champion of globalisation, let me stress that I am acutely aware that this will be a very difficult exercise. My head is not up in the clouds. I am aware of how difficult the political environment in India has become. James Lamont wrote the following in the *Financial Times* on 2 December 2011. "The world's largest democracy is in trouble. Parliament is in turmoil, its members at each other's throats and 31 bills stacked up awaiting approval, just as the economy is cooling fast. No one talks any more of matching China's double-digit progress; growth has fallen beneath 7 per cent. The rupee is 13 per cent weaker than when the year began, as direct investment slows and foreign money leaves the stock market. Many analysts now say India has missed a golden opportunity to build up a

domestically driven economy that had been little damaged by the 2008 global financial crisis – and put substance behind a claim to be a global power.”

He also added, “Commentators such as Pratap Bhanu Mehta, director of the Delhi-based Centre for Policy Research, complain of ‘ungovernability’ and a growing resistance to the state whether over land, energy or macroeconomic policy. ‘Politics is increasingly distracted by its own theatrics,’ he warns. ‘India is at a great historical moment. But the most disquieting sign of ungovernability is that there is little political discussion of what this moment means, or the urgency it should represent.’”

More recently, Fareed Zakaria, the CNN and *Time* columnist who is surely a friend of India, said, “Goldman Sachs’ Jim O’Neill noted in late December, on the 10th anniversary of his coining the term BRIC, that the greatest disappointment among those emerging stars has been India. Indian growth rates are declining, its currency is the worst performer in all of Asia, foreign investment is slowing, and government policy has alternated between populism and paralysis. In this context, foreign policy has been almost entirely secondary, confined to regional issues like Pakistan and Afghanistan, and even in those showing little in the way of leadership.”

Secondly, no single country (no matter how powerful) can promote globalisation on its own. We have to create a global community of globalisers. There should be such a constituency in each country of the world. We know that the Indian diaspora is not the only successful diaspora. The Chinese, Jewish, Lebanese and Filipino diasporas have been equally successful in all corners of the world. The success of these diaspora communities is a result of the first waves of globalisation which were generated by Pax Britannica and Pax Americana. Both Pax Britannica and Pax Americana are gone or going. However, these successful diaspora communities still exist and have become deeply entrenched across the world. So far they have lived and worked in different silos. The time has come for these different diaspora communities to come together and work together to create many communities of globalisers. The natural leader to create such conditions is the Indian diaspora.

Thirdly, there can be no doubt that globalisation also creates challenges. Globalisation also rests on free market economics and capitalism. As part of the process of capitalism, we also have creative destruction. When Henry Ford developed mass car production, the horse and buggy industry had to die. There was no choice. When the digital camera came along, Kodak and Fuji, two successful companies, had to stop producing films for cameras. That is the negative creative destruction. As a result of succeeding in

globalisation through meritocracy in the workplace, Infosys and other Indian software companies are also destroying caste barriers and fighting poverty. Similarly, a recent *New York Times* article about the Dalit community in India points out that capitalism has helped to destroy caste barriers. "This is a golden period for Dalits," said Chandra Bhan Prasad, a Dalit activist and researcher who has championed capitalism among the untouchables. "Because of the new market economy, material markers are replacing social markers. Dalits can buy rank in the market economy. India is moving from a caste-based to a class-based society, where if you have all the goodies in life and your bank account is booming, you are acceptable." Likewise, Milind Kamble, a Dalit contractor based in the city of Pune in Maharashtra State, said that out of the 100 or so members of the Dalit Indian Chamber of Commerce and Industry in his city, only one was in business before 1991. "We are fighting the caste system with capitalism," he said.¹² In short, globalisation and capitalism can help to destroy poverty and caste barriers and create a more inclusive society.

In conclusion, let me summarise my argument with three points. Firstly, the one country that can benefit the most from the current processes of open globalisation is India. The success of 30 million overseas Indians has demonstrated this. Secondly, this moment of great promise for India is also a moment of great peril. Unless some country steps in now to provide much-needed global leadership, there could be a major rollback of the processes of open globalisation. Thirdly, as the greatest beneficiary of open globalisation, India should step up now to provide the critically-needed leadership in this area. However, this can only happen if the Indian Parliament and political class of India can be convinced that this is their natural role to play. The job of convincing them has now fallen on the shoulders of the overseas Indian community. The big question for us to address at the 2012 PBD therefore is: can we do this big job? If we succeed, the biggest beneficiaries will be the population of India, especially the country's poor.

Thank you.

(4188 words)

¹² <http://www.nytimes.com/2011/12/22/world/asia/indias-boom-creates-openings-for-untouchables.html?ref=lydiapolgreen>

Annex A: Migrant remittance inflows to India, 1975 to 2011 (Source: World Bank)

1975	430
1976	642
1977	934
1978	1,165
1979	1,437
1980	2,757
1981	2,301
1982	2,618
1983	2,660
1984	2,295
1985	2,469
1986	2,240
1987	2,665
1988	2,315
1989	2,614
1990	2,384
1991	3,289
1992	2,897
1993	3,523
1994	5,857
1995	6,223
1996	8,766
1997	10,331
1998	9,479
1999	11,124
2000	12,883
2001	14,273
2002	15,736
2003	20,999
2004	18,750
2005	22,125
2006	28,334
2007	37,217
2008	49,977
2009	49,468
2010	54,035
2011 (est.)	57,817
Total	475,031