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"NATIONAL DEVELOPMENT"

I was deeply honoured when my dear friend Prime Minister Najib invited me to deliver the very prestigious Khazanah Global Lecture and to speak to this distinguished gathering on India's development experience. I have very fond memories of previous visits to your beautiful country. And I have been an admirer of the great Malaysian miracle and therefore I am delighted to be here once again.

Malaysia, like India, had a prolonged experience of colonial rule. Today, your country is a vibrant, fast-growing economy and a hub of regional integration. The Straits of Malacca today is the world's busiest shipping corridor. I pay tribute to your leaders who have brought about this transformation since Malaysia's independence.

After gaining independence in 1947, India's principal challenge was to fulfill the aspirations of such a large and diverse society and civilisation that is home to all the great religions of the world, and has been so for many centuries.

Our founding fathers worked to build a strong state and the organs of our fledgling democracy. In the process, we built a diversified industrial base. We developed strong scientific capabilities, including high quality technical manpower.

Over time our growth began to lag behind that of other newly industrializing countries of Asia. Our economy got stifled with bureaucratic control. We also fell behind countries like Malaysia in integrating into the global and regional value chains created by post-War industrialization.

Our own policies began to change, gradually at first in the 1980s and much more decisively in the 1990s. We liberalized the domestic economy and opened up to foreign trade and investment. We recognized the need to encourage market forces. The private sector was increasingly freed to get on with its business.

Initially, these changes met with resistance. But over time they came to be widely accepted, especially after the economy began growing at over 7% per annum from 1994. There has been no fundamental change in the direction of these policies since then and they enjoy broad domestic support regardless of party affiliation.

The economic reforms of the 1990s unleashed the creative and entrepreneurial spirit of Indian industry. Year after year we have seen first generation entrepreneurs taking risks, creating new business opportunities and getting plugged into this borderless world of the global economy. These new entrepreneurs are truly the children of

economic liberalisation of the 1990s and have been an important factor behind India's fast growth in recent times.

India's growth has combined greater openness with an ability to withstand external turbulence. We were not buffeted by the East Asian crisis in 1997 primarily because our capital account was not as open as in many other countries in East Asia and our banking system had very little exposure to short term debt, which was the main source of volatility in 1997.

More recently, India's economic performance has shown further improvement. The gross national product of India grew at over 9.5% per annum for three consecutive years starting in 2005. After the global financial crisis exploded in 2008, our growth rate slowed down but India was even then among the three or four fastest growing nations in the world. We took a number of promotional measures to stimulate the economy and we expect 8.5% growth in the current year.

I wish to reflect on some key features of the new phase in India's economic development.

First, India seeks rapid economic growth that will create wealth for our people and also generate surpluses to fund our ambitious social development programmes, particularly in the areas of health, education and environment protection.

Second, we seek growth that creates employment and development that is socially and regionally balanced and inclusive.

Third, we seek to build a modern, knowledge and science-based economy to complement our agricultural and industrial base.

Fourth, we want our development to be sustainable so that the wealth of our natural resources is conserved for future generations as a matter of trust.

Fifth, we seek a cooperative relationship with our neighbours and other partners so that we can prosper and benefit from one another's development.

Finally, India seeks to realize its development ambitions within the framework of a plural and secular democracy, where each citizen should have equal opportunity for economic, social and cultural advancement.

India's biggest asset is its people. At a time when the industrialised world is aging rapidly, India has the advantage of a young population. The dependency burden in India is expected to keep falling for at least another 20 years. It is expected that, in 2020, the average age of an Indian will be 29 years, compared to 37 for China and 48 for Japan.

But, a young population is an asset only if it is educated, skilled and finds productive employment. If this were to happen, our objective of realizing India's potential to grow at 10% or more per annum for a substantial period of time can indeed become a

reality. Rapid economic development requires high rates of savings and investment.

For a long time it used to be the common wisdom that only an East Asian country could save and invest more than 30% of its national income. If that be true then, geography notwithstanding, India is today an East Asian country! India now saves and invests well over 30% of its GDP. In addition, our financial system – including the banking sector and the capital markets – is strong. This has helped support a boom in domestic investment. Domestic investment is complemented by strong Foreign Direct Investment flows which we greatly welcome.

Over the past few years we have initiated a number of far-reaching programmes that have the potential to change the face of rural India and to make our growth truly more inclusive. These cover rural health, employment guarantee, urban reforms and build up of rural infrastructure and focus on people's participation and empowerment and the quality of public services.

Inadequate infrastructure is a major constraint on our performance and we are determined to overcome it. In the eleventh Five Year Plan that ends in next year, we had targeted investment in infrastructure at 500 billion US dollars. We hope to step this up to one trillion US dollars in the 12th Five Year Plan. Malaysia has well known strengths in building infrastructure and we welcome greater Malaysian participation in this important sector of our economy.

There are big plans afoot in India to set up special investment funds that can be used to finance long-gestation infrastructure projects. We hope to attract Indian and international funding into these projects.

More than half of our population depends on agriculture for the bulk of their income. We are increasing our investment in agriculture. We hope to use our scientific capabilities to create a new growth momentum in agriculture through a second green revolution. This is vital for our food security and to ensure an inclusive growth process.

The future of the global economy in the 21st century lies in the knowledge economy. We are working to strengthen our competitive advantage in this area. We have increased the expenditure on Science & Technology as a proportion of our GDP. We are investing heavily in both basic and higher education. For the last fifty years, India had seven Indian Institutes of Technology and one Indian Institute of Science. In the last five years we have established eight new IITs and five more Indian Institutes of Science Education and Research. Both higher education and the Information Technology sectors are promising areas for India-Malaysia cooperation.

We would like our development processes to be sustainable. We do not wish to go down the path followed by the highly industrialised countries. We seek a model of sustainable development suited to our own needs, circumstances and genius. This is not an easy task for an emerging economy. We want to strike a careful balance between our needs of today and those of our future generations.

We have formulated an ambitious National Action Plan on Climate Change that is

intimately linked to our energy security. We have launched a National Solar Mission that aims to build a capacity of 20,000 MW of solar power by the year 2022. There are national missions on water, green India, energy efficiency and on sustaining the Himalayan ecosystem.

I believe that it is vital for any country to keep its development options open. That is why we worked so hard on a civil nuclear initiative that has opened the doors for India to develop the option of clean nuclear energy as an important plank of our energy security.

Indian thinkers and leaders—names like Rabindranath Tagore and Jawaharlal Nehru easily spring to mind—have always been inspired by a global humanist vision.

As India's first Prime Minister Jawaharlal Nehru reminded us, the advancement of the nation—important though it is—must be viewed as a step to a better world for all of humanity.

We seek to continue this great tradition by being good global citizens. We seek cooperative frameworks that will enable us to be active members of groupings and communities in our neighborhood and region. We will work closely with countries in the regions around us - South Asia, South-East Asia, West Asia, Central Asia and the Indian Ocean littoral.

Our desire for openness has encouraged us to work with ASEAN towards an India-ASEAN comprehensive cooperation agreement. We have also finalised an India-Malaysia Comprehensive Economic Cooperation Agreement, which will be signed shortly. Going beyond regional openness, we will work with Malaysia and other likeminded nations to strengthen the global multilateral trading system.

The basic objective of our development processes is to realize the values and ideals on which our Republic was founded. Our development efforts reflect and reinforce our ideals of equality, the right to a life of dignity and well being and brotherhood among all nations of the world.

When I was a student, few ever dreamt that India or China or other Asian nations would catch up with the industrialized world. Today, few doubt that a fundamental change in the global economy is underway. Dynamic emerging countries are growing rapidly despite a period of slow growth in the industrialized world. There is also a discernible shift in economic power towards Asia. India and Malaysia are both playing an important role in this process but more can be done.

I see many possibilities of synergy between India and Malaysia in the years ahead. We can learn lessons from each other's development experience. I am confident that we can greatly accelerate the pace of our bilateral economic engagement to our mutual benefit.

We face similar threats to our prosperity. We have a shared stake in eliminating the threats of extremism and terrorism; in maritime security in our region and the security

of the sea-lanes of communication. We can make common cause to promote regional peace, security and stability.

I have spoken today about many things that bring us together and that can continue to keep us together. Indeed, there is no issue that divides us at present.

We seek with Malaysia a relationship of trust, goodwill and mutual interest.

I am convinced that if this and future generations of Indians and Malaysians remain true to the ideals of those who secured our national independence and forged our new nationhood, we will continue to prosper as good neighbours. Together we can and we will contribute to the prosperity of Asia and the world.

I wish the people of Malaysia peace, prosperity and happiness.

Thank you.