



**Asia and Pacific Regional Round Table:
“The China and India Factor: Implications for
Developing Countries in the Asia and Pacific Region”**

KEYNOTE SPEECH

By

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Let me first begin by thanking UNIDO for putting such a distinguished panel together on a subject which, as the D-G said, is being in the media for the last two three years - the rise of China, and India is also started getting mentioned of late.

Also, the rise of China is really, in many ways, what the 21st century is witnessing already, and in the years to come, will witness a shift towards Asia in terms of economic activity and in terms of wealth creation.

Well, first time I am sort of taking part in international discussions of this kind. So, in preparation, I tried to find out and look a little bit at history. And what I have discovered is quite interesting. If we go back to the year 1700, the share of China in global population was estimated to be 23 per cent, its share in global population today is less than it was in 1700, about 20 per cent. The share of India, of course, India then included some other parts in the region, such as Bangladesh and Pakistan, our share is still less. It used to be 25-26 per cent, and is now 17 per cent of global population. Similarly, if one looks at global GDP, again in 1700, China's share was 25 per cent, India's was somewhat in that region. China's share has still a long way to go before it regains the share of global GDP it had.

So, in some ways, what we are witnessing is the coming of the industrial revolution to Asia and it is bringing the prosperity and well being which had brought to what is now the developed world of Europe and North America. And if one looks at the history of the industrial revolution, we find that in the 19th century and nearly 20th century, that whichever country finally got its act together that special chemistry which allows entrepreneurship to succeed, which leads to innovation, to skills and trade, and manufacturing, that country seems to begin to catch up with the then developed world at a very rapid pace. If one looks at England it was one of the first two industrialized, then you had USA and Germany which then caught up very quickly, and Japan took off, they grew much faster than the previous fastest growing countries. And the East Asian Tigers, South Korea and others, went faster. And the Chinese experience so far has been fastest recorded growth in human history per year for almost fifteen twenty years.

In one sense, we are witnessing a restoration of a natural balance, which existed prior to the industrial revolution when some countries took off earlier and some of us are taking off later.

Coming to India's own experience, in the sense of historical perspective, we were colonized. And in the hundred odd years when the industrial revolution occurred in rest of the world, our per capita income was stagnant and even declined. And my school history and geography textbooks would tell me that India was a terrible place where it was natural for a few million people to die every few years from famine, the last famine was in 1942-1943 when we were still a colony and 2-3 million people died. When we became independent, our life expectancy was 32 or something like that. Starting from that low base, there has been a gradual progression.

The colonization experience we had was also very unusual, because we were colonized by a trading company - East India Company- and that gave our founders or foundations or freedom fighters of first generation which ruled India a great aversion, or great unease in terms of the international trading system, therefore we adopted parts of self-reliant development.

We were also persuaded by the merits of arguments in favor of infant industry protection. Until 1991 when we began our reforms, we were genuinely a closed economy. So, if you wanted to import something to India my ministry would have to give you permission in those days, if you wanted to get a technology collaboration agreement, again we would have to give them a permission, if you wanted to have foreign investment, you would not be welcomed in India as we didn't want foreign investment into India.

So post-1991, we have changed and now are fully integrated into the international trading system, we have an open economy, which believes in free trade and free investment. And gradually, over the last ten years within India, there is a broad-based consistency and constituency in favour of globalization.

Now I say this, because when we started opening up, we were very very nervous about globalization. Those who tried to persuade us on the merits of globalization would sometimes, I think, overstate the case, for it seemed to suggest it was a kind of medical drug, which would overnight bring prosperity.

Today, when we discovered the advantages of globalization and we are integrating well, we find that some of those who were so optimistic about the benefits of globalization are feeling a little uneasy as defined success in Asia. But, we believe that globalization is a genuinely win-win situation for everybody, and growth in one country does not come at the cost of growth of another country. As the international trading system grows and international trade grows, there are jobs; there are opportunities everywhere. As countries export, they also import. As we prosper, we travel more, we spend more, and we consume more. And this demand keeps the global economy growing and growing better.

So, I think, that we in Asia, have all I think jointly come to a conclusion that globalization, interdependence and integration is a good thing, and is good for all of us. In this context, I would like to draw your attention to two factors, which are often mentioned in the international system. One is the challenge of climate change, CO₂ emissions. In fact, there is a major conference in Bali where some of you will be there. And the other is the challenge of sustainable development.

Clearly, these are very important challenges for all of us. I think we need to work together to cope with this challenge and to ensure that the prosperity that some of us are beginning to see and which others have enjoyed for some time is sustainable and available to our children, their grandchildren, and their grandchildren.

But, this is the but, I wanted to emphasize. If we are looking at genuine sustainability, then we have to look at equity, and the right for development and the international order of sustainability, which is fair and just. In this context, I think what our Prime Minister mentioned to Chancellor Angela Merkel which she has publicly endorsed is a principle which I would like to repeat here and draw your attention to. "If we are really looking for a realistic workable solution, which is sustainable and implementable, we need to all work altogether on technologies, which reduce energy consumptions and energy efficiency". And we need to find and promote renewable sources of energy, which give no more CO₂.

But ultimately we have to recognize that the developed countries need to lower their per capita CO₂ emissions. We in the developing world have to choose a path of development, which is less CO₂- intensive, less energy-intensive.

Ultimately, a sustainable solution would involve convergence of incomes along with per capita consumption and per capita CO2 emissions. Any other proposition I am afraid will have great difficulty in being implementable because the right to development cannot be denied. And with globalization, there will be similar lifestyles and living standards and consumption.

And similarly, when we come to the issue of sustainability of natural resources of the planet in terms of mineral resources, we again need to look at the principle of equity and see that we recycle, reuse but we do it in a way that ultimately, everybody has a fair chance and fair right to use the same scarce resources of our planet.

Finally, I would like to state that as we have opened up and as we have sought integration, our share in trade and services in GDP has increased but it is still very modest. As we grow, that share will rise and will reach the levels, which other countries have. As His Excellency Vice Minister of China said that our bilateral trade has grown at a pace, which has surprised people on both sides. Businesses in both countries have growing business ties and finding it a win-win situation for both sides as well. Indian consumers are delighted to see Chinese products in our market. Indian firms are discovering enormous opportunities for the Chinese market.

Other neighbours in Asia, we are trying to promote our trade and investment and again, it is a situation, which is win-win for all of us. Growth in every country creates opportunities and potentials for growth in others. If a country is a commodity producer, growth in large economies leads to demand for commodities leads to greater incomes. In fact, as my Minister is very fond of saying, if out of the 300 million people in India who are destined to a dollar a day, some million move up to 1 meal a day or 2 meals a day, there is that much extra consumption in grain, that much extra consumption of cooking oil most of it comes from palm oil from East Asia, that much extra consumption in commodities.

In India, imports are growing more than our exports are growing at present. Clearly, we are emerging as an attractive, very competitive market.

In the end, I would like to say, China and India are large countries, but their economic success is good for the world, it is good for global economic growth, it is good for integration and is also good for global peace and prosperity.

Thank you.