

Script: Speech at the SIIB International Conference on Emerging Economies at Symbiosis University on 12 January 2012

Good morning, to you all, dear audience, I would like to commence with a special word of respect and appreciation for Padmashri Dr. S. B. Mujumdar, Dr. Vidya Yeravdekar, Dr. Bhushan Patwardhan, and I would like to thank Dr. Rajani Gupte for the kind invitation to this very important SIIB International Conference on Emerging Economies in the beautiful city of Pune.

1- Emerging Economies and the Global Landscape

My first remark is about the term and impact of the Emerging Economies and Markets. There is no universally fixed definition for the term 'Emerging Markets'. Emerging markets are generally considered to be markets that are experiencing rapid growth and economic liberalisation on the path to become developed economies. Emerging Markets are seen as countries that are in a transitional phase, restructuring their economies along market-oriented lines.

The term Emerging Markets includes the BRIC (Brazil, Russia, India, China) nations as well as large parts of Asia, the Middle East and Latin America. The BRICs, as we all know, are estimated to overtake the G7 in terms of GDP in less than 30 years. The Emerging Economies are fuelling currently the world's economic growth.

We are living in a world in which the Emerging Economies are offering their nations perspectives of improved economic conditions, while many so-called developed countries are in the process of restructuring the systems to ensure that the current good standard of living for their populations can be maintained.

I think there is no need for a universally fixed definition for the Emerging Economies; I believe there is need for continuous liberalisation locally and globally as well as for solutions which meet the needs of all global stakeholders, on national, regional, and international level, in the less developed, in the emerging and the developed economies.

2- A Glance on some of the Key Dynamics and Requirements

What are some of the key dynamics and requirements of the world we are living in today?

- The global population is expected to grow from today's 7bn to over 9bn by 2050
- Food production will need to double to feed a world of 9bn
- And by 2030
 - o The global middle class is expected to have tripled
 - o 40% global shortfall of fresh water is expected
 - o 70% increase in resource is needed
 - o And 60% of the global population will live in cities
- India is growing and will continue to grow rapidly and so will its requirements

The numbers and trends indicate that today's dynamics and requirements demand special attention on the way we generate our growth, the way we use the limited resources, and the way we design our life to ensure that today's needs for products and services are met without jeopardising the needs of future generations.

3- Protecting the traditional and new Global Commons of an Interconnected World

In an increasingly interconnected world, one key area of focus should be on the global commons. Global commons are those critical shared resources relied upon by multiple communities, regional or global, which fulfil a significant purpose in the lives of their users, such as the oceans, international waterways, and the ozone layer. The traditional framework for identifying global commons endorsed by major global organisations focuses on a set of key criteria

- non-excludability
- depletable
- multi-jurisdictional

However, in the modern era new global commons are emerging, which no longer fit into traditional frameworks. The internet for example is one of the most important emerging tools of the modern era and should be considered a global common for 3 key reasons:

- It is non-excludable with individuals and organisations from all countries
- It represents a key link between organisations and customers as well as between nations
- It is a critical source of information which is relied upon by individuals, organisations and nations worldwide; its damage or removal, would severely impact users across the globe

The new framework, which would encompass the new global commons, could be structure around

- global impact
- interconnectivity
- multi-jurisdictional responsibility

This new framework would be more appropriate to our modern way of living and working as well as the interconnected world. Furthermore, the new framework would strengthen the ability of governments and global organisations to identify, manage, and sustain these critical shared resources. We are living in a small world, where the action of one country can easily impact the development and prosperity of many other nations. Just imagine the impact of the closure of the Strait of Hormuz, through which 2.4bn litres of oil are shipped daily.

Nations might be well advised to develop a clear understanding about the traditional and emerging global commons, which are critical to growth and sustainable prosperity. In their own interest all countries, including India need to co-manage and co-secure the world's critical shared resources.

4- Smarter Solutions for a Smaller World

In light of today's dynamics and requirements, we need fresh, we need smart solutions to ensure a livable and sustainable life, for everyone and forever.

The five tracks of the SIIB International Conference on Emerging Economies will shed light on critical areas of prosperity and sustainability.

I) Track I: Issues in Emerging Economies – Factors Beyond GDP

Track I will focus on 'Issues in Emerging Economies' and I would like to underline in this context the importance of factors of happiness beyond GDP.

In a recent interview at HBR IDEACAST, Umair Haque, director of the Havas Media Labs, who was recently listed as one of the most influential management thinkers in the world, mentioned beyond financial capital three additional factors as critical for a good life:

- Social Capital, i.e. a life that is rich in terms of relationships
- Organisational Capital, i.e. a life that is rich in terms of accomplishment,
- Emotional Capital, i.e. a life rich in terms of meaning, fulfillment and passion.

Umair Haque stated that the paradox is that economics as we know and as we live it does not capture this conception of a good life. The idea of a good life as we practice it in economic terms is very much about the idea of GDP. Haque is asking for a much more sophisticated and nuanced conception of a good life. He believes, at the end it is about a personal balance sheet not a national balance sheet. The key requirement for Umair Haque is to understand how the world, how nations, and how organisations make a real difference to the individual life.

The discussion of Track I might reflect on new mental and practical models required to move beyond a busier to a richer life.

II) Track II: Socio-Cultural Dynamics – Education, in particular entrepreneurial micro-education

Track II will focus on 'Socio-Cultural Dynamics' and I would like to stress in this light the importance of education, in particular the importance of entrepreneurial micro-education as a vital supplement to micro-finance.

Education is the key to prosperity, and probably the one and only way to end poverty and achieve inclusive growth. Emerging Economies require:

- Premium education to ensure the supply of top talent for leading the private and public sectors
- Technical colleges and governmental schools to produce talent for the middle management
- Vocational Training, providing the blue-collar workforce, required by more industrialised nations
- However, most importantly Emerging Economies require education at the base of the pyramid, as this will not only boost micro-business but allow as well for scaling up micro-business, equipping people to create small businesses and make a change not only for themselves but for others too. We need micro-finance plus entrepreneurial micro-education

Talent + Capital = Making a Living

Capital + Skill = Making a Change

The liberalisation and boosting of the educational sector in India is a pre-requisite to ensure the supply of talent needed to fuel India's growth and support India's inclusive approach.

III) Track III: Governance, Institutional Change and Best Practices – Good Governance

Track III will focus on 'Governance, Institutional Change and Best Practices', and I wish to reiterate the importance of good governance and institutional effectiveness and efficiencies.

It appears obvious that governments and international institutions all over the planet are struggling to keep up with the dynamics and requirements of today's interconnected world.

India requires reforms to simplify the regulatory framework and reduce bureaucracy, not only to expedite and accelerate vital processes for India's day-to-day and business life, more importantly to reduce legal and regulatory uncertainty and in-transparency, which are the main sources of 'rent-seeking', and hence prosperity drain.

On the global level, India can contribute to reforming international governance bodies, enabling them to take action to limit systemic risks and close governance gaps.

Local regulatory reforms and global innovation in governance are required to improve institutional effectiveness and efficiencies and develop the solutions needed to align national interest with global necessities.

IV) Track IV: Sustainable Cities

Track IV will be dealing with 'Sustainable Cities'. Considering the current pace of urbanization, the world requires a fresh, a smart approach to urban developments. Realising the concept of smart communities requires a holistic view, starting with a vision regarding the design of the Key Areas of a community as well as the Realisation Process.

The Key Areas are: Sustainable Mobility and Transportation, i.e. Individual and Public Transportation, Green Buildings, Renewable Energy Generation and Efficiency, Power Distribution Infrastructure and Management, including Smart Grids, as well as Urban Services, such as Waste, Water, Lightning, IT and Security.

The Realisation Process starts with Feasibility Studies, and continues with Project Planning, Financing, Equipment Manufacturing, Installation, Exploitation and Maintenance, and finally Effectiveness Controls.

Discussions in Track IV might result in ideas of how to support local governments in developing holistic visions for sustainable communities and preparing effective realisation plans 'to do it right the first time', as re-planning and re-building urban areas might be a challenging undertaking, not only in the world's largest democracy.

V) Track V: Innovation and Progress

The final Track V of the SIIB International Conference on Emerging Economies will cover 'Innovation and Progress', both needed to ensure simultaneously prosperity and sustainability, in India, in the world and in each and every country.

In addition to the urban planning, India might require innovative transformation concepts for rural communities to help the rural population to keep up with the developments of 'new India' in an inclusive and synergetic way. The inclusion of rural India is essential for establishing a balanced economy and society, as well as to slow down urbanisation. Broadband coverage and mobile devices will be crucial to succeed in this area. I am also convinced that India requires more innovation in the area of agriculture, where multi-stakeholder (local government, academia, agricultural equipment manufacturers, seeds and fertilizer producers etc.) run and supported incubators might help to drive the necessary developments and where the opening of the Indian retail sector can be a structural, standardizing and supportive element to improve the current situation in the agricultural sector.

In addition to broadband coverage, which will heavily support urban developments and rural inclusion, the mobile revolution has already offered a platform for innovation and can function as a key enabler for including the rural populations. Furthermore, there is a link between mobile phone penetration and national income, i.e. GDP per capita. According to a study commissioned by Vodafone:

- Mobile telephony has a positive and significant impact on economic growth
- This impact may be twice as large in developing economies compared to developed nations

The positive effect of telephony on economic growth is the result of better access to information and more efficient processes as well as cost reductions, for example through reduced travel.

India requires effective national master plans, serving as frameworks of regional and local developments, for example in the area of logistics, which will benefit all India, including the agricultural sector. I guess every one of you can imagine the impact of all the various check points between Gurgaon and the port of Mumbai, resulting in an up to 10 days voyage.

Furthermore, India requires effective policies to install enablers of innovation, supporting the developments in urban India and the inclusion of rural India, aiming at a diversified, while at the same time balanced economy and society.

5- The German Wirtschaftswunder, the German Economic Miracle

Please, allow me to finish with a few words on the German Wirtschaftswunder, the German economic miracle, which was the result of the modified ordo-liberal ideals driving the creation of the post-World War II German social market economy. The ordo-liberalism, which is the German variant of neoliberalism, developed by German economists and legal scholars such as Walter Eucken and Franz Böhm, claims that the state has the task to provide the political framework for economic freedom, in contrast to laissez-faire. This includes a legal and institutional framework, covering maintenance of private property, enforcement of private contracts, liability, free entry, and monetary stabilization.

Quoting Professor Stephen Padgett: "A central tenet of ordo-liberalism is a clearly defined division of labor in economic management, with specific responsibilities assigned to particular institutions. Monetary policy should be the responsibility of a central bank committed to monetary stability and low inflation, and insulated from political pressure by independent status. Fiscal policy — balancing tax revenue against government expenditure — is the domain of the government, whilst macro-economic policy is the preserve of employers and trade unions." And according to Bernhard Josef Molsberger, a German economist and co-publisher of ORDO, the "Yearbook of the Order of Economy and Society" the state should refrain from directing or intervening in the economic processes of daily practices, as in a centrally planned economy. The ordo-liberal theory holds that the state must maintain a healthy level of competition to avoid the emergence of monopolistic or oligopolistic market situations, which would not only subvert the advantages offered by the market economy, but also possibly undermine good government, since strong economic power can be transformed into political power.

Ordo-liberalism might hold some of the keys to build an economy driven by guided and supported entrepreneurial powers, which is robust, well-performing, balanced and inclusive over the long run.

6- Closing

I am wishing us all fruitful exchanges at the SIIB International Conference on Emerging Economies. May the discussions today and tomorrow yield a better understanding about India's perspectives and the possible solutions supporting a good life for everyone and forever, in India and beyond.

Thank you.