

Press Release

India needs to make industries inclusive, innovative and independent; strengthen the quality of institutions; and improve the quality of democracy to realise its Potential, says Naushad Forbes in CSEP's Flagship Seminar

February 11, 2022, New Delhi: India has the potential to lead the world, thanks to what it now has—a diverse culture with something for everyone, a young population thirsty for education and achievement, and a strong and diverse private sector. But much more should change to achieve India's full potential: it must target rapid economic growth as a collective goal; invest in innovation, design, education and research; build independent institutions step by step; and harness its diverse culture. How can India progress and become a lasting global leader?

At the inaugural book launch event of **The Struggle and The Promise: Restoring India's Potential**, by Naushad Forbes, hosted by the **Centre for Social and Economic Progress (CSEP)**, Forbes along with **Rakesh Mohan**, President and Distinguished Fellow, CSEP, **Kiran Mazumdar-Shaw**, founder and Executive Chairperson of Biocon Limited and Biocon Biologics Limited, **Arvind Panagriya**, Professor of Economics and the Jagdish Bhagwati Professor of Indian Political Economy at Columbia University and **Montek Singh Ahluwalia**, Distinguished Fellow at CSEP and a notable figure in Indian economic reforms from the early 1980s onwards, reflected on some critical questions concerning India's progress.

Forbes opines "the world wants India to succeed" and "Indian industries are actively desired" and are seen as benign force. India is a long-term play and requires many changes to be a global leader. Three key areas that will play significant part in making India grow are: expecting more from Indian industries, achieving a right balance between government policies and institutions and culture, and strong democratic norms.

4I's approach for Indian industries: Inclusivity, International, Innovation and Independence

For India to grow, Indian industries will have to follow a path that includes: inclusivity in growth with substantial investments in Corporate Social Responsibility (CSR) funds and labour-intensive industries, and having a new social contract that provides protection for labour; be proactively international i.e. to be open to the world in India and actively invest overseas; be innovative and scale our investments in local R&D is a key requirement. "India spends 0.3% of GDP in in-house R&D whereas the world average is 1.5%," Forbes said; lastly, Indian industries has to become more independent in operations and move away from dependence on the government. Quoting from book, Forbes said: "An industrialist criticizing the government should not make the headlines. That must be the basic feature of an independent private sector."

Role of State

Policymakers should take cognizance of a framework where State's limited role is applicable; "When there is a combination of low State capacity and close State-Industry relationship, the State has to play an essential but an extremely limited role," said Forbes. The State can play a smaller role and enable industries and NGOs to perform and function instead of trying to decide and play a role.

The norms of being a liberal democracy and words such as authenticity, humility, nuance should characterize how we operate in the country. Forbes said "honesty is essential need in being a good quality, high-norm liberal democracy" and "the essential need for honesty is dissent, argument and discussion."

Innovation and R&D

Talking about R&D's importance to create value in country's progress, Mazumdar-Shaw said that to achieve a non-linear growth, innovation is required. "India is one of the lowest investors when it comes to research and development investment as compared to innovative economies like China, Korea, Taiwan, and the USA," said Mazumdar-Shaw, adding that "India needs to double its spending on R&D." Creating an innovation ecosystem is fundamental to the growth of R&D in a country and universities have to come up with patented ideas which then get absorbed by industries. Industry-academia link has to be incentivized to drive research for better innovation; patentability and designing are keys to innovation. Innovation is required to break away from status quo and steady-state growth. Mazumdar-Shaw said that "in the next 10 years, India can become the largest digital and digitally-enabled marketplace in the world."

Protectionism and Growth

On the issue of how Indian economy functioned, Panagriya said: "We ran the economy for almost half a century where protection was provided on demand" and licensing restricted the domestic entry. Providing protection wouldn't bring innovation, Panagriya said, adding that there's no guarantee that even a credible commitment to protect is going to produce efficient suppliers once protection ends. On the role of government intervention and Performance Linked Incentive (PLI), Panagriya said: "The key question is whether can we connect the government interventions to the higher growth or did it happen in spite of intervention."

To the question of promoting growth, addressing the issue of State capacity and promoting private sector solutions, posed by Mohan, Ahluwalia responded: "The difference between 1991 and now is that in 1991, there was a global consensus on what to do. We [India] were the only odd people out. But today, that consensus has more or less disappeared—and not just in economics" and called for having more discussions on State capacity. Ahluwalia also emphasized on having a mindset change within the industry, adding that in the coming years, a highly disruptive change in the country will be pushed by two factors: Digitalization and Climate Change.

Democratic Norms

Mohan, citing from Forbes's book, posed a question to all discussants on an intertwined connection between democracy and growth. Panagriya said: "I don't think democracy is ever in the way... but one aspect of Indian democracy which has handicapped us [India] was the beginning of democracy that was combined with socialism and has had long-term effects." Responding to the question on democracy and growth, Ahluwalia said "Today our democracy is highly vulnerable to extreme populism"; Mazumdar-Shaw added that "authoritarianism never yields innovation" and said that democratic set of norms are required to build durable economy. Forbes said that democracy is hugely powerful framework for innovation, and that fragmented politics has led to much more inclusive politics which in turn has led to rapid growth.

About CSEP: *The Centre for Social and Economic Progress (CSEP) conducts in-depth, policy relevant research and provides evidence-based recommendations to the challenges facing India and the world. It draws on the expertise of its researchers, extensive interactions with policy makers as well as convening power to enhance the impact of research.*

Our researchers work across domains including, but not limited to, Growth, Finance & Development; Energy, Natural Resources and Sustainability; and Foreign Policy and Security. All our research and policy recommendations are freely available to the public.

For media-related queries, contact:

Ribhu Ranjan, Communications Associate

Email: rranjan@csep.org

Contact: 8209752204