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**UNION FINANCE MINISTER’S SPEECH  
AT HINDUSTAN TIMES LEADERSHIP SUMMIT**

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**Following is the text of the Speech of the Union Finance Minister, Shri Pranab Mukherjee delivered, here today at the Hindustan Times Leadership Summit on “Opportunities and Challenges in a Changing World”:**

“I am very happy to be here today among some of the eminent opinion makers and leaders of our times who have come together to share their thinking at the Hindustan Times Leadership Summit 2011. I am also happy to see this annual event growing in stature. You have been successful in identifying issues of contemporary relevance and, more importantly, getting an interesting and a diverse panel of speakers for the Summit. I compliment you for that.

I have been asked to speak on the theme of “*Opportunities and Challenges in a Changing World*”. The process of change is never easy, be it for individuals, societies or nations. But change we must, it is inevitable. We are at all times responding in our own ways, individually as well as collectively, to our changing contexts – the local and the global. The challenge is to ensure that the process of change is not disruptive and it supports opportunities to enhance human well-being. And that is not easy. The problem arises because the process of change is not linear. There are always concerns, multiple implications for different segments of population, uncertainties and choices to be exercised from competing alternatives and objectives, all of which make the process invariably challenging.

I can identify at least four factors that contribute significantly to bringing about change in the way we live, work or engage with others around us. These factors are the demography of a society and the changes therein, technology development and its application, social institutions, values and culture and their cross-border interplay through rapid strides in ICT (information-communication-transportation technology), and lastly the nature of economic development. One could also add another factor to this list namely,

environmental changes, which could also be seen as a consequence of the working of other four factors. It is the interplay of these factors that determines the dynamics of the process of change and the opportunities and challenges that it presents to the people.

Our world is changing and rapidly so. Each of these factors is contributing to that churning. At the same time, these factors have combined to support an unprecedented integration of the world. The current phase of globalization has shrunk the world and made boundaries between countries irrelevant. At one level, it has reduced us to a single entity, such that developments in one part of this global entity have implications on the other part, and often pronounced one at that.

This globalised and changing world has given us huge opportunities to grow and improve our well-being. It has also subjected us to uncertainty and hardship. The financial-crisis and the global economic slowdown has suddenly exploded before us the pitfalls of an unquestioning dependence on the functioning of liberal markets to sustain and enhance human well-being. Yet we have also seen how these very markets have been the means to bring unprecedented prosperity to a large part of the world over an extended period of time. They have opened up possibilities for many of us in the developing world to make progress in addressing some of our persistent problems of poverty, livelihood, health, education and security.

One of the defining features of the world, as it has evolved over the last two decades, has been the gradual shift in global economic power from the developed to the emerging and developing countries. We are witnessing an emerging new world order, where there is a higher degree of interdependence among nations and, hopefully, there is also a more dynamic and equitable arrangement for global prosperity.

It is against this backdrop that we need to ask ourselves what is it that can help us overcome the challenges confronting us. What would it take to open-up the doors to unrestrained growth in opportunities for improving our collective well-being. The possibility of realising the promise of our destiny as a developed nation is, perhaps for the first time in our modern history, well within our reach. But it cannot happen on its own. We have to be alert to shape real-time policy responses, reform systems, improve the regulatory framework of our institutions and make the most of the opportunities coming our way. Let me dwell on a few issues and policy priorities that can put us on the path towards attaining our cherished goals in the coming decade.

The foremost consideration is to be able to recognise an opportunity when it arises and being proactive, alert and sensitive in responding to the evolving requirements of the context. In a globalised world, every situation that confronts us is more complex than the preceding one, be it inflation, or the

issue of depressed investment sentiments in the economy, or even the uncertainties of global developments. We have to address such issues ourselves and collectively in a bipartisan manner. And that is where the initial challenge lies. Let me elaborate this concern with an example from our contemporary political discourse.

We have been confronting the challenge posed by inflation in the past two years. Sustained high economic growth in recent past has led to improvements in purchasing power in both rural and urban areas. The 12<sup>th</sup> Plan Approach Paper says that average real wage rate between 2007 and 2010 has increased by 16 per cent at the all India level. The growth was fastest in Andhra Pradesh at 42 per cent and in Odhisa 33 per cent. Even in States like Bihar and UP the real farm wages went up by 19 and 20 per cent respectively over this period. This has helped protect real living standards. It has also accentuated demand-supply imbalances in some specific commodities like vegetables, fruits and protein rich items, more than others. In addressing this issue we have taken both short-term fiscal and administrative measures and also medium-term steps to improve the supply response.

Global experience shows that organised retail with well integrated supply and cold chains can significantly cut down on post harvest wastages, while providing better returns to farmers and more competitive prices to the consumers. That needs appropriate technology and investments on a large scale. Despite this recognition, often narrow political gains take precedence on an early implementation of a policy framework, even when it is being done in a calibrated and sensitive manner. Thus, in this case, in the absence of timely action, or no action at all, it is the farmers and the consumers who would suffer and the nation would miss out on an opportunity.

As we look ahead to make good the opportunities coming our way, our future reforms will need to improve economic efficiency, sustain high growth and spread the benefits of growth equitably across States and between urban and rural areas. It would be best if these policy options are debated and discussed thoroughly in the appropriate public fora so that they enjoy broad based support for implementation.

Growth has to be more inclusive and pursued more vigorously. In the current year, the first half growth in GDP is estimated at 7.3 per cent. Though low by our recent growth experience, considering the current global context and the slowdown in the domestic industrial sector the growth performance is not all that disappointing. Going forward, I am confident that we will be recovering some of the loss in our growth momentum and may end the year over 7.5 per cent.

Improved productivity in agriculture is central to meeting the objective of inclusive development. There is urgent need to address the constraints on the growth of output and incomes in this sector. We have to renew our efforts and perhaps find new mechanisms to incentivize the State Governments to take a lead in addressing local policy gaps in agriculture.

If India can continue to grow and acquire economic strength, we could be a source of stability for the world economy and provide the safe havens for restless global capital. That would also enable us to develop even faster and spread the benefits of growth to the poor and the marginalized.

India is a predominantly young country. We have a window of opportunity to reap the benefits of a demographic dividend. It makes it necessary for us to prepare ourselves in terms of building the required infrastructure, physical as well as human capital. Given the numbers involved, the task is indeed challenging. If we are able to progress on the initiative under the Prime Minister's National Council on Skill Development of skilling and training 150 million persons over the next 10 years, we would be able to take advantage of the opportunities that are before us.

A country of India's size and on a path of rapid economic growth has to build a certain degree of self-reliance in meeting its technology needs. It is necessary therefore to push the frontiers of knowledge for creating new cutting edge technologies to sustain India's progress in a competitive global environment. We need to be at the forefront in meeting, for instance, our growing energy needs with sustainable use of natural resources, including land and water, and our environment. We have the advantage of following many others, who have travelled on this path, and hence we can make informed and better choices.

We have to nurture a large science and technology based innovation ecosystem that channelizes the capability of our young population to understand new technology and absorb and simulate it to meet local needs. In that context, there are at least three areas that we need to focus on. The first area is education and knowledge creation. The second is creating and strengthening of a competitive environment to support private enterprise. The third is to encourage a greater focus on research and design activities (R&D) in our enterprises and in institutions of higher learning.

We have to recognise that the success of our efforts in the coming years hinges critically on our ability to strengthen our macro-economic environment. We need to have the necessary head-room and policy flexibility to address challenges emanating from global markets. In the post-global crisis context, we have already begun the process of fiscal consolidation. Though it appears difficult, I am hopeful of maintaining the fiscal balance targeted for the current

financial year end. The State Governments also need to work towards fiscal sustainability for meeting their development goals in the medium term.

As we scale-up our efforts to bridge the development gaps, it is also important that the available public resources are effectively used. We are acutely conscious that if these resources have to bear fruit, the issues of governance and service delivery have to be tackled in right earnest. Indeed, governance failures and corruption in the system affect the poor disproportionately. An inclusive development agenda cannot succeed without addressing these issues. Our initiative on providing unique identities to the people, through the Unique Identification Authority of India is a step in that direct. We are well on course to meeting the 20 crore target set for the issue of Aadhaar numbers by the end March 2012. Provision of identity will enhance the access of poor and marginalized to public services, financial services and enable efficient delivery of benefits directly to the targeted population. It is the key that would hopefully facilitate the marginalised to enter and benefit from the economic mainstream.

Let me conclude by saying that where there are challenges there are also opportunities. India has demonstrated its resilience and ability to address its problems. And there is no reason that we cannot build on that capacity in the future. Even at an international level, the success of G 20, especially in the past couple of years, has shown that there is renewed purpose among nations in coming together to address global issues. There is hope therefore for all of us in an ever changing world. I wish this summit all success.”

**DSM/GN**