

“India has reached a point where its future growth depends on the external world.”

Ged Davis heads the think tank for the World Economic Forum. A strong believer in the democratic process, **Ged Davis** spoke to **India Now** about the advantages of making development an inclusive process, the challenges that face India and the initiatives India must take to move to a higher growth trajectory

Ged Davis is the managing director of the World Economic Forum's Centre for Strategic Insight. He holds post graduate degrees in Economics and Engineering from the London School of Economics and Stanford University. Davis has spent almost all his professional career with Royal Dutch/Shell; from 1972-2003 in senior positions in planning. At the World Economic Forum's India Economic Summit, which was held in New Delhi from November 27-29, 2005, Davis led the research team with Arun Maira, chairman, Boston Consulting Group (India), to study the scenarios which could emerge by 2025.

How do you define your role at the World Economic Forum?

My main interest is to ensure the quality of the programme, contents that we bring to the table. I see that everything we do is of the highest quality. My particular area of focus right now, as we are in the run up to Davos in end-January 2006, is the global risk programme. My colleagues are working hard on it at the moment. We have developed a set of product scenarios particularly supporting our new industry partnership programmes. And then I have

a colleague who is very much concerned with global competitiveness. My main interest of work is to bring these bodies of work together so that our members and partners are better informed about the work and better understand the prospects and possibilities.

You have been heading the team that presented three long-term scenarios of the growth of the Indian economy. One was very optimistic, in which we saw a ten per cent growth rate, and the other two had lower growth projections. What is your own perception on the growth potential of the Indian economy?

I tend to be very careful in playing around with numbers. There can be no question that we have seen a fundamental shift in the India we thought we understood until 1985, and the last twenty years have shown us that India is capable of great things. The fundamental point, looking forward, if we are talking of numbers, is whether we can have an 8 to 10 per cent growth. Behind it is the question whether we can we build in the next 20 years a genuinely broadbased economy which will be one of the shapers of global activity in the coming century. To do so you need some degree of luck, an enabling global economy; it is difficult to grow at the rate which India is growing unless there is a significant market outside.

The present view is that we can continue to grow at 4 per cent per annum. But it doesn't have to be so. And the work is not just

on India; it is about India and the world. The report recognises that India has reached a point where its future growth depends on the external world. Having said that, there remains the matter of internal challenges — I don't have to repeat what so many others have said. There remains the challenge of building infrastructure, the challenge of integrating agriculture into the economy; of people working in rural areas. The challenge is to see that this is not unbalanced growth focussed on a few sectors and a few people — few of course is many people in the Indian context. But in the large, India's success is dependent upon an inclusive policy... So our job is to raise these questions, to bring clarity to the thinking process, not just being critical.

You mentioned certain forces unleashed since 1985 which helped put India on the world economic map. What were those forces?

I would say they were the commitment to reforms, the opening up of the economy. And I think the understanding that it has to be a sort of development that includes all; I think it would be easy to slip into a kind of thinking that there should be an opening up of access and giving benefits to companies. And that argument surely would be based on the premise that by creating a competitive economy, we could create surpluses which would ultimately benefit the economy as a whole. But the challenge is that this is an open democratic system and there are many different points of view. There are many different political views, risk perceptions, concerns noted and so it is quite difficult to align everyone's points of view in one direction. But this is so in every open system. Right now there is an intrinsic challenge to share these ideas, strengths and resources to ensure inclusive development.

You touched upon the open democratic system prevalent in India. But how do you reconcile the comfort-feel of democracy with the fact that China has had higher growth rates?

In a way, the figures speak for themselves: China certainly has had remarkable 10 per cent per annum growth for 20 years. But one of the great strengths of any democracy is that it has a resilience. The very fact that we can discuss and disagree... and the knowledge that there are channels through which one can be heard... is very satisfying. A society that is rich in civil institutions, that has channels for dissenting voices, is in my view more robust than one in which people are told what is going on. May be its unfair but take for example the Harbin problem currently in China, the oil spillage, the explosions..., people were not particularly well informed of the incident, there is a lot of dissatisfaction. I'm not saying that such a situation might not arise in other countries. But there is a natural reluctance at times on the part of a largely totalitarian administration, which is not faced in democratic systems. The reality today is that success now depends on everybody being actively involved and that is one of the strengths of the democratic system.

To go back to the question, India has not grown as fast as China. But the issue in the 21st century is not just of twenty years of growth. It is about a hundred years of growth. I share the views of many who say that India has particular benefits because it is more open, in some ways more transparent. It has democratic systems in place and democratic systems are sometimes more messy!



Some may say that it is a disadvantage; I don't think so over the long term. China has to face the reality that in the 21st century economies will have to increasingly depend more on knowledge and such economies bring with them people who question, who are more insightful and the best way to play out those differences of concerns, perspectives, hopes is through the democratic interplay. A dialogue, rather than being told what is right and what is wrong. But let me not contrast too strongly the China-India issue, for even within China, there is a major debate in the Communist party about China's future and an increasing understanding that they have to move towards being more inclusive at some point.

In the end, though growth is important particularly for bringing those at the poorest level into a way of living which meets their basic requirements, it is clear that it is more than economic growth. It is about quality of life and quality of life is more than pure economic figures. So if I had to choose, I'd rather be happy to live in India than in China.

What are the initiatives you would like to see that would take India to a higher trajectory of growth?

I think it is a question of long term versus short term. The starting point has to be longer term and the starting point has to be a broadbased education system. I am a great believer that India has enormous potential, but that potential is locked in people who have not had the opportunity to have a real education. The challenge in India is to really make sure that everyone gets good education. That needs a lot of investment in schooling, in social infrastructure. For that you need a burgeoning private enterprise, you have to create significant surplus. You need to address the 'legacy' issues; you need to get your infrastructure right, you need to get bureaucracy under control, you need to get regulation slimmer, we need to get corruption under control. Then you are getting the enabling functions in the economy right, of which I would place emphasis on getting finance right, the banking system right in the context of putting a business up quickly and getting the benefits from it quickly. I think the core in the end is to get a thriving industrial sector, private enterprise in a wider sense, which will create jobs and opportunities and a lot of that surplus could go into social investments like education. We must take up this demographic challenge because it is that group which will soon be in need of education that will shape the India of 2050. Let us give them the tools to make that happen.... 🌱