

Speech by Rahul Gandhi

CLOSING KEYNOTE SPEECH AT BUCERIUS SUMMER SCHOOL 2009

Madam Mayor, Dr. Sommer, Ambassador Ischinger, Ladies and Gentlemen, Fellow Alumni of the Bucerius Summer School, Friends:

Thank you very much for your kind introduction. It is a privilege to be here at the invitation of the Zeit Foundation. Madam Mayor, this is my third visit to your beautiful city. I am always happy to be back in Hamburg.

Like some of you in this room, I have attended the Bucerius Summer School. The knowledge I left with and the friends I made have stood me in good stead. Just before I came here, I leafed through the notes I took while attending the School. I can say with the benefit of hindsight and some humour that I only vehemently disagreed with one speaker. But what was important was that, like most of you, I had fun while I learned. I would like to begin my talk by thanking the Bucerius community and, of course, Dr. Sommer. I am here to share my perspective. But I am certain I will learn from your reactions and observations.

The large majority of my country India is still poor. I am often overwhelmed by the immense potential stifled by the lack of opportunity. Poverty has been defined in many ways. In my own work I have found that the most reliable indicator of poverty is a person's distance from global opportunities. Today, both India and China are reducing this distance at a massive scale. I will start by providing some perspective on why I feel the gap between our people and opportunity developed in India to begin with. I will then discuss where we are today and what we are doing in India to bridge the opportunity gap. I will conclude by describing the global opportunities that could arise from connecting people at such an unprecedented scale.

Let me begin by going back to 1947. If you were to have visited India in 1947, when colonialism ended, you would have found one of the poorest, most backward and illiterate societies on earth. You would have seen a country with no domestic industry; a society 90% of which lived below what we now call the poverty line. There was only one India 60 years ago and it was desperately poor. Most of the country lived in villages and its people struggled to feed and clothe themselves. People were tied to the land and most of them lived off farming. India was also completely unconnected both internally and with the rest of the world. There were very few roads or communication networks. Knowledge was trapped in numerous silos. Principal among these was a rigid caste system that predefined everyone's place in society. Lack of infrastructure and connectivity meant that there was practically no industrial output. This, in turn, meant we had almost no money to invest in development. We had no choice as a nation but to address these issues. We chose democracy as our guide.

Underlying our approach was a firm belief in the importance of preserving our own strategic autonomy. It was and remains our belief that this is essential if we are to develop India as we wish to. Our goal of strategic autonomy required modern industry and education. Our means were constrained and limited. We lacked the traditional sources of international power: military capability, raw materials, and geostrategic leverage. But we marched to our own tune, even if it sometimes meant marching alone. India engaged with all the major powers. We built economic links, wherever we could, to serve our development, building the Bokaro steel plant with the Soviet Union when the West refused to help, but also getting PL-480 wheat and Green Revolution technology from the United States. We focused on education early, sowing the seeds for the now famous IITs in the early fifties. By the early seventies we had achieved our first big milestone. India attained self-sufficiency in food production. We could proudly tell ourselves that no Indian would starve. The

rest of the world barely understood the profound impact of this achievement. India could now get to work.

Our policies coupled with our democracy laid the foundations of our industrial base, of our strategic capabilities, and of the over 6% GDP growth that we have enjoyed for the last twenty-five years. We are more connected to the world today than we have ever been. We are among the world's largest economies, but even today, we provide our citizens with an average income barely 8% of Germany's.

Like most politicians, my work requires me to travel a fair amount. I must say I experience as much of a culture shock when I travel from New Delhi to rural Uttar Pradesh as I did yesterday when I travelled from New Delhi to Hamburg. It is ironical that in some ways Delhi is more connected to Hamburg than it is to rural India. In others, it is much closer to rural India than to the outside world.

Our journey is one of transition. Sixty years ago, we started with one India, which was poor. Today, we stand at the crossroads with two distinct Indias. There is no simple way to categorize this divide. It is, for example, not a clear rural-urban divide. There are cities in India that are extremely disconnected and there are rural pockets that connect seamlessly to the world. This phenomenon is most evident in the states that contribute to the Indian diaspora like Kerala and Punjab.

The connected India is what most visitors from abroad are exposed to. Bangalore, Delhi and Pune represent it in the popular imagination. This part of India has roads, ports, airports, electricity and broadband Internet. It boasts a young and thriving middle-class with global needs and practices. It produces goods and services valued in the world market. It has access to education, healthcare and information and communicates fluently in English with the rest of the world. Connected India is already the size of the United States and today creates a large proportion of our

nation's wealth. It is growing rapidly and providing us with the financial resources to connect and transform the other India. Connected India's political power is limited but growing.

Unconnected India does not yet produce the goods, deliver the services or supply the skills that the world uses. It is more than twice the size of its connected counterpart, yet it occupies no mindshare abroad. It is the conscience keeper of our democracy and decides the direction which we will take. Those who visit it and are exposed to its power know that, once connected, it will deliver unprecedented wealth to the global economy. Politically, it packs the punch of a super heavyweight.

As I said earlier, I have found that the most reliable indicator of poverty is a person's distance from global opportunities. This is something that is not lost on our poor. India's poor may be disconnected in terms of opportunity, but they are not disconnected in terms of information. They understand clearly that if their village has no road leading to it, they are more likely to remain poor. They realize that if their village school does not teach English their child is less likely to find a job. They might not understand how to work a computer but they clearly see that it can connect them to valuable information. Democracy, and the right to choose have created a sense of entitlement among our people. They know that equal opportunity is their right. Armed with this knowledge, they are intent on joining a world that is prospering but lack the infrastructure, skills, tools and opportunities to do so. Despite our achievements, we are still left with hundreds of million of people with unfulfilled aspirations. The pressure of these aspirations is unrelenting.

We started 60 years ago with a poor India. Our next step is to transition once again to a single India, but one which is no longer poor. The heart of our politics is about managing the balance between the two Indias.

As politicians, the first part of our task is to maintain and rapidly expand the growth in connected India. The second part of our task is to ensure that the wealth generated is efficiently used to build the physical and social infrastructure that will merge the two Indias into one.

For over 60 years since Independence, our poor have borne the burden of poverty on behalf of the nation. They have done so stoically and patiently waited their turn to join in the nation's progress. It is their generosity and tolerance that has allowed us to build a strong and prosperous nation.

Too much focus on connected India results in a political veto by the unconnected. Too little, means we don't generate the growth and capital required to connect our aspiring millions. This is further complicated as the speed of growth in connected India picks up. The aspiration levels among our unconnected people rise rapidly because news of the benefits travels quickly in a globalised world. This means that in order to keep a virtuous cycle going, we have to deliver high levels of growth as well as become increasingly more efficient at targeting the money generated from our growth.

India has now grown at a respectable pace for almost twenty-five years. The central idea we follow is to try and free our entrepreneurial energy from the clutches of red tape-ism and allow it to flourish. Our experience has taught us that wealth creation requires us to continue to expand our engagement with the world. We recognize that in order to realize the full potential of our people we must ensure that they have access to global opportunities. We are therefore committed to keeping our doors open to the world. Despite the occasional short-term glitch and its varying pace, the opening up of India has been constant. Success over this period of time has also meant that a lot of political energy is now firmly aligned behind the idea of being open to the rest of the world.

With regards to unconnected India our efforts are centred on creating a secure, educated and healthy people. There can be no productive output in the absence of these fundamentals. The cornerstones of this effort are the creation of a social security program for our poorest and a massive thrust on the delivery of primary education and healthcare. I have seen the results of these efforts on my journeys around India. Families freed from extreme poverty are beginning to invest in themselves and their children. There is an enormous and unprecedented demand for education coming from even the poorest villages. For the first time, primary school enrolments of girls are beginning to match those of boys. I recall vividly travelling to villages in Uttar Pradesh twenty years ago. I have gone back to some of the very same villages over the course of the last five years. The demand for education amongst the poor today simply did not exist in the 1980's.

The second area of priority is scaling up our national networks of roads, financial infrastructure, energy and communication. These structures will connect our people to global opportunities. On the ground the impact of infrastructure is transformational. A one-lane road transforms a sleepy hamlet into a beehive of commerce. A new national highway going through rural Uttar Pradesh transforms a subsistence farmer into a millionaire by raising the value of his land by a factor of ten. Opening a savings bank account transforms illiterate women in rural Amethi into entrepreneurs. Bringing electricity for the first time to a village hamlet is the dawn of a new age for its inhabitants. Over the past five years I have closely observed the effects of telecommunication on rural India. Mobile phones have gone from being the rich man's toy to becoming the poor woman's lifeline.

Possibly the biggest challenge we face in India is leakage throughout our delivery chain. One of our prime ministers observed that out of every Rupee we were sending

to the poor only 15% actually reached them. We are attacking this problem on many fronts.

Certain scholars have speculated that democracy hinders India's growth. I for one fully believe that democracy is not an encumbrance and provides a powerful feedback mechanism. We are strengthening this mechanism by pushing democracy to the village level. Today almost 3 million elected representatives decide the fate of our villages. The power of this process is difficult to overstate. For many generations, people were subject to the whims of local landlords or all-powerful government officials. And today, powerful government officials and landlords are subject to the will of the poor. In villages and local bodies they vote to decide who among them will be responsible for the state of the village school, the allocation of development funds and the priority for building roads.

We are also legislating new rights designed to empower our people. The Right to Information Act is designed to give all our citizens the right to ask questions of their government and leaders. It is among the most stringent such legislations anywhere in the world. Similarly, the Right to Education Act seeks to give Indian children their due. Finally, we are rolling out a national identification system, which will give a unique identity to all our citizens, rich or poor. This will revolutionize our ability to target assistance while cutting out waste and corruption.

It is important to understand that much of our success so far has come from the states in the southern part of India. Empowerment has percolated only to India's smaller and most educated states. India's most populous states are only just beginning the process of integrating with the global economy. Never before have so many people functioning within a liberal democratic framework joined the global economy at such a rapid rate.

We are looking to develop a population, which is stable, competent and connected to the world. This is not the inward-looking mission of one country alone. It is the shared vision of a world looking for new avenues of growth and a rapidly globalizing India. We each have a stake in our mutual success.

India is in the process of physically restructuring itself. It is estimated that almost 700 million people or one and a half times the population of the European Union will migrate from Indian villages to new homes in urban areas over the next forty years. These people will need places to live and work in. They will use cars, trains and airplanes to travel in. Numerous new cities will have to be built to house them. These cities will require roads, energy systems and communication infrastructure. The people will need schools and hospitals, which will in turn need equipment. This restructuring will present a huge financial and strategic opportunity for the developed world that has pioneered much of the technology that is required.

The \$90 billion Indo-Japanese venture to build an industrial corridor connecting Mumbai to Delhi is an example of such an opportunity. Japan will benefit from this financially. It will also gain from deepening its understanding of the main artery of commerce in India.

Energy strategy is going to be an area of opportunity and global cooperation. A large proportion of the world's new energy systems will be built in India and China. The design and efficiency of these systems will have a massive impact on the rest of the world. Europe, Germany in particular, is a leader in clean energy. You have a technological commitment to solar energy as well as a deep understanding of conventional and nuclear power. India's needs and Germany's capabilities present us with a historic opportunity to engage at the design stage in a sector that will be fundamental to India and will impact the world in the coming decades.

The second area of opportunity arises from the critical mass of productive individuals who will join the global mainstream. India has an English-speaking workforce. The back office phenomenon has helped them develop an expertise in managing the outsourced delivery of a range of products and services. Western societies will be able to leverage these services.

A significant human resource challenge for India is making people job-ready at scale. Europe's tradition and leadership position in vocational training is well established. Replicating this in India at much greater scale will provide new and mutual sources of economic value. Investing in people transcends business process outsourcing and training. The purest opportunity of capitalizing on India's people is presented by our entrepreneurs. Many global fortunes will be made by Indian entrepreneurs in the coming decades. Invest in them. They present opportunities to the rest of the world to participate directly in the creation of wealth that will accompany India's transition.

The final area of opportunity is in developing new paradigms for industry and socio-economic development. The scope and speed of the rise of India and China are unique. Transformation at this scale will challenge the status quo on many fronts. Take for example, the impact on our environment. We are aware of the pressures this will put on our natural heritage: water, air and the earth as we know it. The current levels of inputs, energy consumed, and pollution produced per unit of industrial output simply cannot be sustained. Products, industrial processes and manufacturing practices will have to be completely rethought. Defining and guiding this transformation is a significant opportunity for the research, technology and engineering establishments of the developed world.

Finally, the Indian experience will give the world a number of non-threatening and inclusive paradigms for the rise of a nation out of large-scale poverty. India's transition is often viewed as a homogenous process applying to a billion people. This

is wrong. The reality is that the major states of India are building their own unique paths to transformation. Our pluralism has multiple resonances. Punjab and Haryana owe their rise to success with irrigated agriculture, while Karnataka relies on the IT economy. Kerala depends upon tourism and expatriate inflows while Tamil Nadu emphasizes industrial production. While there may be no global parallel to India in terms of complexity and scale, there are several parallels to each of our states. Their experiences with socio-economic transformation within a democratic framework will provide lessons for other emerging nations.

So far I have talked about the opportunities arising from our aspirations. I would also like to point out that there is danger to allowing these aspirations to remain unfulfilled. There is a strong causal link between disempowerment and unrest. In the last several decades China, India and Pakistan have all been confronted by the rising aspirations of their people. China has relied on centrally mandated, relentless economic growth and job creation to stay one step ahead of the ambitions of its people. It has been spectacularly successful in its economic objectives. India's route to liberalization and global-integration has been more circuitous, but at the same time far more consultative and consensual. The participatory nature of India's democratic decision-making process has acted as a safety valve that has compensated for slightly lower growth rates than China's.

In both China and India people retain optimism, hope and the possibility of fulfilling their dreams. In each, this hope rests on a national vision supported by a carefully constructed unwritten political consensus. This has been built over decades and at a tremendous cost. Pakistan has been unable to achieve this. It has had neither reliable democracy nor a progressive economic policy. In Pakistan, the ordinary youngster has no hope of building the future that his television shows is possible. The outcome is rage and destruction directed at the establishment. When harnessed by religious

fundamentalists, it becomes terrorism. The roots of terrorism are embedded firmly in aspirations denied.

The globalised world cannot afford for aspiring Indians to be denied their right. India is accountable to the world and to its people to link them to opportunity. I have attempted to outline the opportunities that await us if we harness the tide and the threats that confront us if we fail to cope with it. The tide of human aspirations lifts a boat in Hamburg just as it does in Mumbai. It will create opportunities and challenges in Hamburg, as it will in Mumbai.

It gives me joy to note that Germany has been most progressive in its engagement with India. There is a historic precedent for this. As I mentioned earlier, in 1956 Germany assisted India in building the Indian Institute of Technology in Madras a jewel among Indian educational institutions. More recently, Germany, as chair of the Nuclear Supplier's Group, was instrumental in granting India its crucial waiver. Germany's leadership in engineering and sustainable technologies makes it uniquely poised to engage with and benefit from the coming opportunity in India.

We have exchanged too much capital, too many goods, people and ideas to ever be able to live in isolation again. We are compelled by economic, social and environmental opportunities and issues that transcend artificial boundaries. It is no longer my challenge or your challenge; my opportunity or your opportunity. It is our challenge and our opportunity.

Thank you.