



# THE **G**GROWTH NET 3.0

**CREATING NEW DRIVERS OF GROWTH**

**25-27 MARCH 2015 | NEW DELHI**

**AN EXECUTIVE SUMMARY**

# ORGANISERS



## Ananta Centre

An independent organization, Ananta Centre is registered under the Indian Trust Act. It focuses on leadership development and encourages frank and open dialogue on the most important issues facing Indian society, to help foster its transformation. The Centre also engages civil society, business, governments and other key stakeholders on issues of importance to India's development, foreign policy, strategic affairs and national security.

The Centre serves as a convening body for exchange of ideas, broadening perspectives and enhancing capacity to create sustainable solutions on a wide variety of issues.



## Smadja & Smadja Strategic Advisory

Smadja & Smadja Strategic Advisory was established in 2001 in Switzerland and in the US. The firm works with global corporations and government entities on global trends and strategic issues. Our mission is to help our clients navigate and leverage globalization, providing them with "actionable" insights and a "world view" to help them manage the increasing volatility and complexity of a globalized world. The firm creates platforms of contents – from strategic, behind closed doors, seminars to high profile international conferences – that are knowledge and networking intensive, with significant take home value for the participants.

Smadja & Smadja has activities, clients and partners in Asia, North America, Europe, Latin America and the Middle East.

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## INTRODUCTION

The Third Annual Growth Net Summit was the first major economic meet to be held in India since the Modi government's economic vision was detailed in the Union Budget. Focused on growth drivers in Asia, Africa and Latin America, the Summit brought together stakeholders from emerging economies and the rest of the world on one platform to look at synergies to increase business opportunities, encourage innovation, and enhance job opportunities.

Launched in 2013, the Growth Net series reflects the new realities created by the emergence of new growth countries, which are rapidly increasing their business, economic, trade, and financial interactions, and aspire to have a stronger voice in the global economy. It serves as a catalyst to develop fruitful dialogue among business leaders, government officials, and civil society, from the countries of the new constellation of growth, on how to strengthen economic momentum and generate new sources of growth, through the deepening of partnership strategies for rapid sustainable



development in Asia, Africa and Latin America.

Themed **Creating New Drivers of Growth**, the 3rd Annual Growth Net Summit was co-convened by **Ananta Centre** and **Smadja & Smadja Strategic Advisory** in partnership with the **Ministry of External Affairs**, Government of India from 25th – 27th March 2015 in New Delhi. The Summit brought together more than 60 speakers from 17 countries including business and political leaders, eminent media personalities, senior officials along with thought-leaders who shared insights and best practices to raise economic resilience and generate new business opportunities.





The meeting featured keynote addresses by top Indian Government representatives including Mr. Arun Jaitley, Minister of Finance; Ms. Sushma Swaraj, Minister of External Affairs; Mr. Suresh Prabhu, Minister of Railways; Mr. Ravi Shankar Prasad, Minister of Communications & Information Technology; Mr. Piyush Goyal, Minister of State for Power, Coal & New & Renewable Energy; and Mr. Ajit Doval, National Security Adviser.

The Summit focused on growth strategies, employment & skills, finance, energy, technology & innovation, entrepreneurship, manufacturing, services, infrastructure, agribusiness, national security, trade & investment, climate & water which are some of the key issues of concern to all growth economies.

The two crucial orientations that constituted the core of the agenda of the 3rd Annual Meeting of The Growth Net included:

► **Increasing differentiation among the new constellation of growth countries.**

Economies where structural reforms are implemented, where sound industrial and pro-growth policies are put in place, are now capturing the attention of the international business community; other countries which had relied too complacently on the commodities boom or have been postponing politically difficult reforms, have now been left behind on the sidelines.

► **Activation of new sources of growth to sustain economic momentum.**

This involves the development of domestic demand, economic diversification, broadening the domestic investor base, more efficient leveraging of technology and frugal innovation with an emphasis on productivity increase, stimulating intra-regional trade.



## KEY TAKEAWAYS

### ON DRIVERS FOR GROWTH

The government of India is currently pursuing major programs aimed at serving the poor through enhancing economic growth. These activities consist of programs in sectors including transportation, water and sanitation, energy, education, financial inclusion, government accountability and addressing discrimination. For the past 10 months, the government has been focused on the above structural reforms.

Robust transportation, sanitation, healthcare, and energy access, together, will place India on a high growth trajectory, and meet the aspirations of the people of India.

### ON 'MAKE IN INDIA' INITIATIVE

'Make in India' can be transformed to create an engine of growth as there is interest to shift manufacturing to India from countries like China where the costs have gone up.

'Make in India' is an essential campaign, but it will not be a success if other structural elements are not taken into consideration; for this, a skilled workforce



is required. However, only 2% of our very large population is comprised of this skilled workforce. This identification of the need for skill development has led to the creation of a road map, which is a fast track to bridge the gap between industry requirements and government policies.

### ON INDIA–ASEAN ENGAGEMENT

ASEAN countries would be interested in further dealing with India, if India takes the initiative. Development of rail, road, air, and waterways between ASEAN members would be a significant step. Further, the development of the North-East, and its linkage with other ASEAN countries is important.

Singapore currently deals extensively with India,



**THE SUMMIT FOCUSED ON GROWTH STRATEGIES, EMPLOYMENT & SKILLS, FINANCE, ENERGY, TECHNOLOGY & INNOVATION, ENTREPRENEURSHIP, MANUFACTURING, SERVICES, INFRASTRUCTURE, AGRIBUSINESS, NATIONAL SECURITY, TRADE & INVESTMENT, CLIMATE & WATER, WHICH ARE SOME OF THE KEY ISSUES OF CONCERN TO ALL GROWTH ECONOMIES**



so further scope is expected for growth. Our main focus is on two states, Andhra Pradesh and Rajasthan; A.P. because of a master plan to build its new capital, and Rajasthan for technical training.

**ON URBANISATION AND SOCIAL MOBILITY**

Massive labour migration is happening in both China and India, although Urbanisation is more rapid in China. The consumption rate in China can't keep growing. It will come down. China faces gaps in its economic performance, including rural-urban gaps, regional gaps (mainland and coast), and production output gaps between rural and urban areas-the rural sections produce only about a fifth of the total output.

Urbanisation and growth go together, since

urbanisation creates jobs, and is also an integral contributor to E-growth. India is witnessing a rapid urbanisation process. To capitalise on this effectively, the government needs to focus on the three most important factors for ensuring effective urbanisation-planning, funding, and governance. India must create specialized cities for the success of urbanisation.

Asia needs \$700 billion for infrastructure growth... Urbanization is linked with infrastructure development, and is a new driver of growth that needs to be prioritized.

**ON DIGITAL INDIA CAMPAIGN**

Digitization has played an important role in contemporary times and the prospect of 'Digital India' has brought a revolution into Indian lifestyles. The number of mobile phones in India, for example, will soon reach the 1 billion mark.

Due to the phenomenal success of the IT sector, Digital India is going to create digital 'haves' and 'have-nots'. Thus, it is up to the Government to create an enabling atmosphere for the growth of this Digital India, through the creation of physical infrastructure, facilitating the electronic delivery of services, and digital empowerment."

**ON MACROECONOMIC STABILITY**

Vital factors to be considered are macroeconomic stability (to mitigate the effects of economic



**PRIORITY AREAS FOR NEW GROWTH COUNTRIES:**

- Implementation of inclusive polices
- Accelerating process of adopting new technologies and innovations
- Connecting the growing middle class segment to the markets



vulnerabilities associated with a high dependence on external factors, like capital), stable government (required for structural reform), consistency and transparency in policies, which are essential for investment, and the actual quality of policies themselves i.e. how effective they are.

Due to the slowdown in global growth, focus has now shifted from export-oriented growth, to domestic product growth.

For India, microeconomic stability looks good, political environment is currently stable but ease of doing business is still an area where India needs to come up with solutions. However, India has competitive advantages in terms of investments compared to countries like Brazil and Mexico.



### ON THE FUTURE OF INFRASTRUCTURE DEVELOPMENT IN INDIA

The Government is focused on building Smart Cities (rail expansion and road interconnectivity for trade facilitation).

The government is aiming at bringing an integrated approach into the transportation sector. In the next few years India will witness a real improvement in infrastructure, in terms of roads, railways, inland waterways, and ports. The government is already looking to infuse \$140 billion into the railway sector, and is opting for 'brownfields', instead of 'greenfields'. Infrastructure re-conditioning, with investments beginning with the Public Sector, is on the agenda, in line with similar models implemented in the USA and Japan.





**ON CHALLENGES BEING FACED IN AFRICA, AND THE ROAD AHEAD**

Africa is rising in every possible way, including in terms of domestic demand and in areas like infrastructure, energy, food security etc. Agriculture, mining, energy, and technology are the areas that provide huge opportunities for investment that the USA and China are trying to take advantage of.

However, there are several problematic areas that need to be addressed. For example, markets with high growth levels exhibit very low levels of employment. The issue of savings, the fact that most businesses face difficulties in accessing the market, low productivity levels, insufficient regional trade in South Africa, the culture of exploiting poor

people with low wages etc. are all issues that need to be tackled expediently.

Precedence needs to be given to ensuring youth employment, by prioritizing innovation, an increased responsibility of political leaders towards the people, a commitment to the development of the people, and a boost in the efforts to educate people-individuals are much more susceptible to exploitation when they lack exposure to knowledge. These points are critical to development.

Africa needs 93 billion dollars of investment in infrastructure every year; only 30% of Sub-Saharan Africa has access to railways. A lot of African countries have transportation issues. Further, the ability to utilize infrastructure is more important than the mere development of infrastructure. Thus, education systems in Africa also need to be funded.



## ON PROSPECTS FOR THE EMERGING MARKETS

Emerging market countries will no longer be able to count on exports for their growth and they would require tremendous investments in leveraging technology for growth. However, there are more reasons than less to be optimistic and interested in the emerging market countries.

New growth countries need agile governance without the baggage of past regulations which are dangerous for the economy and must not neglect the agriculture sector which is a significant source of growth. There should also be a strong effort to reduce the wealth gap and ensure there is a system for wealth distribution for the population.

## ON INDIA'S INITIATIVES TO BOOST RESEARCH AND INNOVATION

India has so far focused on developing modifications to already existing products and lacks momentum in original product inventions. With India possessing 17% of the world's smartest brains, Indian companies must build on their research and innovations.

The government is promoting digital literacy in a big way—for example, 40% of Indian railways tickets are sold via e-ticketing. It is also focused on coming up with a BPO policy for rural India. Efforts are also

being made to involve women cooperatives in the implementation of Digital India.

Bank Accounts, IDs, and mobile phones, are the main requirements for innovation.

## ON HOW TECHNOLOGY CAN HELP IN WATER CONSERVATION

Water is going to be the biggest challenge of the 21st century. Constructability of a sustainable and efficient water system should be focused on. Engineering and technology/science have to come together to solve water issues.

The modern society needs modern technology, but it should be in sync with common sense. There is a need to get better data systems and use them for better designing. Think about the overall environment. Don't forget the communities.

In India, the crop pattern is not linked to the rain pattern. The Government should work towards this.

## ON FUTURE PROSPECTS FOR THE EUROPEAN ECONOMY

Although there are several self-inflicted wounds prevailing in Europe, the next 20 years will be extraordinary in terms of growth. People will migrate to the cities at greater rate- the predicted figures are that 70% of a 9.5 billion population will move towards urban areas.



## MISTAKES TO BE AVOIDED:

- Putting in place contradictory and obstructionist regulations
- Increased wealth gap
- No distribution of growth
- Neglect of rural agriculture

## IN CONVERSATION WITH .....



“Agriculture and manufacturing are two key areas to power India’s growth. These are areas where sky is the limit for opportunities and reforms. But India can’t grow if half its energy is directed in fighting obstructions.”

— ARUN JAITLEY

Minister of Finance, Government of India

“We have a commitment to green and clean renewable energy, which will contribute to double digit energy growth.”

— PIYUSH GOYAL

Minister of State for Power, Coal and New & Renewable Energy, Government of India



### ON A NEW APPROACH TO GOVERNANCE

“There is a refreshing approach now. Our focus is on empowering the people so that their dependence on the state is reduced. We wish to create avenues for economic empowerment through social security, education and skills development.”

— SUSHMA SWARAJ

Minister of External Affairs, Government of India



#### ON REGIONAL INTEGRATION WITHIN ASEAN/SAARC

“Currently there is not much progress for pickup in movement toward integration. What seem to be happening are individual country collaborations, due to a high scope for bilateral partnerships (E.g.: Singapore’s trade with India).”

— **GOPINATH PILLAI**

Chairman, Institute of South Asian Studies, Singapore

“The key Drivers of Growth for Egypt will now be: fixing the legal system of the nation for efficiency and reliability, and making it enforceable for businesses and the social system, so as to ensure social protection and financial inclusion, building up of strong protection system, promoting economic inclusion through cooperative institutions, and focusing on improving relations with other countries.”

— **ZIAD BAHAA-ELDIN**

Former Deputy Prime Minister of Egypt



#### ON THE REQUIRED AREAS OF FOCUS FOR THE EUROPEAN ECONOMY

“We need to lower the consumption of power systems, and focus on technical progress, especially in areas such as digital, material, and fire technology, as well as looking into low-carbon energy economies. Ensuring a stable policy environment needs to be given attention as well. Emphasis must also be on sustainability, combating inequality, innovation, and registration-steps already being taken by China.”

— **NICHOLAS STERN**, IG Patel Chair of Economics & Government,

London School Economics & Political Science, United Kingdom

“The current PM of Bangladesh is a very strong leader, who took certain initiatives, which brought revolutionary changes, such as the establishment of an effective electricity system, and an increased use of solar energy. We currently import 500 MW of electricity from India, and would like to focus on hydropower development, connectivity of roads, railways etc.”

— **TAUFIQ-E-ELAHI CHOWDHURY BB**, Adviser (Minister) to the

Prime Minister on Power, Energy & Mineral Resources Affairs, Bangladesh



“Chinese firms are encouraged to look at not just profits, but also social responsibility. Thus, they are now investing in education and healthcare.”

— **HAIFENG WANG**, Director, Department of International Economic Research, Institute of Foreign Economics, National Development and Reform Commission, China



“India’s current GDP is around 7.5-8 %, and if we look at the break up, the service sector contributes the highest with 65%, whereas the manufacturing sector and agriculture and allied activities contribute a mere 12% and 14% respectively- possibly because investments into the manufacturing sector face hindrances in this country, such as funding constraints, and a lack of an entrepreneurial culture; thus, we need to take steps to boost investment in the latter two sectors.”

— **RAJIV PRATAP RUDY**

Minister of State for Skill Development and Entrepreneurship, Government of India

“The infrastructure sector needs a trillion dollars in investments, and it is important to ensure that new infrastructure development is ‘climate-proof’ in relation to investment.”

— **SURESH PRABHU**

Minister of Railways, Government of India



“Urbanisation is a growth driver. In China, 750 million people moved to urban cities over the last 30 years. Chinese cities now have industrialised zones. Another important lesson to take away from this is that moving people from agricultural production to urban production will assist the growth process.”

— **TOM MILLER**

Senior Asia Analyst & Editor-at-large, China Economic Quarterly

## IN CONVERSATION WITH .....

“India-Africa trade is growing at the rate of about 30% each year. In line with this, the 3rd India-Africa summit is being held in October 2015. The list of nations that are looking for opportunities to invest in Africa is long.”

— **WHITNEY SCHNEILDMAN**

Senior International Advisor for Africa, Covington, USA



### ON THE DEVELOPMENT OF UNIQUE IDENTITY CARDS

“Today, with increasing mobility, identification has become very important. Scale and speed was very important for the UID. We kept the IDs very simple, in order to speed up the process. The cost for UIDs in India is around 1\$ per person, which is the lowest in any country for an ID. 800 million Unique ID cards have been issued.”

— **NANDAN NILEKANI**

Former Chairman, of the Unique Identification Authority of India, India

“There exist three time-frames: the present, the near-future (next 20 years), and the future (next 50-100 years). Strategies and grand strategies should be adopted according to each respective time-frame.”

— **YOSHIYUKI KASAI**

Chairman Emeritus, Central Japan Railway Company, Japan



## IN CONVERSATION WITH .....



“India should not take the fall in oil prices for granted and should instead focus on investing in alternate sources of energy. It is important that India does not depend disproportionately on the supply or demand of any one commodity. The focus of the government should also be on defining clear objectives in terms of governance and competitiveness.”

—UDAY KOTAK

Executive Chairman and Managing Director, Kotak Mahindra Bank Limited

“...The emerging market countries would be wise to follow a model set for the future than a model that succeeded in the past.”

—N.K. SINGH, Senior Member, Bharatiya Janata Party (BJP); Former Member of Parliament, Rajya Sabha; and Chairman, Steering Committee, The Growth Net Summit



“There are 47 countries in the ASEAN region, out of which only 2 are middle-income countries. A lot of work still needs to be done in terms of lifting people out of poverty in the region, solving the urbanization gap, increasing the share of the service sector in total GDP, and addressing the fundamental problem of inequality.”

—GUANGHUA WAN

Principal Economist, Asian Development Bank, The Philippines





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