



**Women's Foreign Policy Group
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H.E. Ambassador Neelam Deo
Consul General of India

The Indian Economy: Changes and Challenges

Patricia Ellis: Good evening. I would like to begin by thanking Consul General Deo for her hospitality and for opening the beautiful consulate to the Women's Foreign Policy Group and our members and friends. It's just wonderful to be here tonight and we really, really appreciate it. The reception was wonderful. We're all looking forward to hearing from the Consul General, who is going to talk about a topic of great interest to many people today: "The Indian Economy: Changes and Challenges." Given all the attention on India, the rapid growth of the economy, there's so much to talk about and to discuss. The Consul General will speak and then will, as is our tradition, take questions.

I just want to thank all of you for joining us. For those who don't know me, I'm Patricia Ellis, President of the Women's Foreign Policy Group. What we're all about is promoting women's leadership in international affairs and women's voices on the pressing international issues of the day. We work very closely with women ambassadors, foreign ministers, consul generals. Many of them are either speakers and in New York have participated in different events, particularly our UN Study Visit, which you participated in two years ago, which we have every May, so we hope everyone will join us for our next UN Study Visit in 2008.

Most recently, the Ambassador of Iceland hosted an event with the Foreign Minister of Iceland, and it was a wonderful event. We just love to give a platform, and highlight the contributions of these wonderful women. We also will be continuing our very popular Author's Series and a series on Islam, which has been ongoing for the last two years and will be starting again in January. The last thing I want to mention is that we have our Annual Luncheon Event in Washington, DC. This year, our keynote speaker is Secretary of State Condoleezza Rice. So anyone who can make it down to DC, we hope you can join us.

I want to recognize one other Consul General who is here with us tonight, the Consul General of the Philippines. Thank you so much for coming. Last but not least, I want to thank my staff, Kimberly Kahnhauser and Sara Barker, for making this event possible. I also want to thank the Consulate staff for all their assistance.

It's now my pleasure to introduce Consul General Neelam Deo. She's a career diplomat with the Indian Foreign Service who has served over three decades. She's been Consul General in New York since October 2005. She previously served as India's Ambassador to Denmark and to the Ivory Coast, and was accredited to a number of other countries when she served in those positions. Before coming to New York, she was head of the Bangladesh, Sri Lanka, Myanmar, and Maldives Division of the

Ministry of External Affairs in Delhi, so she has covered and been responsible for a number of countries that are in the center of the news today. She also worked in the Diplomatic Missions in Bangkok, Rome, and Washington. She has a master's degree in Economics and is an Economist. She has also taught at Kamla Nehru College in Delhi University. Please join me in welcoming Consul General Deo.

Consul General Deo: Thank you, Patricia. Welcome, ladies and, I'm happy to see, gentlemen. I thank you for coming to our Consulate and also for your interest in the changes that are taking place in India. In preparing for this evening, Patricia had suggested that instead of the sort of broad-brush speech, I should really try to address some specific issues. And I'm very happy to do that, because there's always some difficulty in deciding what to say about India. It's a country with over a billion people, 5,000 years of history, lots of things happening at present, so it's always easier if somebody else narrows down the subject for us.

She has asked me to take up four specific issues, which actually do encompass a lot of the current interest in India and also the challenges that we face, some just specific to India, and some which are much more global. So let me begin with the first, which is the question of why India has been able to achieve and maintain such rapid growth of the economy. The way we look at this is that in about 1750 or that period, at the beginning of the Industrial Revolution in Europe, India was the second-largest economy in the world. It contributed more than 20% of the global output. After 200 years of British rule in India, we were contributing less than 3% by 1950.

This was also the experience of other countries that were colonized in Asia. It continues in many ways to be, unfortunately, the experience in Africa, where the economies in many countries remain at the level where their private resources are extracted and exported to developed countries, and they are in the situation where they have to buy much more expensive goods, and food as well. So we really think that 50 or 60 years after shaking off the effects of colonization on our economy, but also in our mental space, we are returning to what is a more normal arrangement. In our global web, where the majority of the population lives in Asia, it would only be appropriate for the majority of the world output also to come out of Asia, and we think that the increasing rates of growth of many of the Asian countries are really taking us back to what was the normal state of the global economy, in terms of its resource allocation and its population distribution.

So India today is a trillion dollar economy with over a billion people. It is a 4 trillion dollar economy in purchasing power parity terms. So that makes us still at a much lower stage than most developed countries. But it's important to realize that it has been able to achieve this economic growth at a time when the situation is very favorable. The global economy has been expanding rapidly, and especially the Asian economies, so India is not the only Asian economy to be growing very rapidly. In fact, the Chinese economy of course has been the most rapidly growing economy for many years now, but also somewhat smaller countries: Indonesia, Vietnam are growing rapidly, our neighbor, Pakistan has had growth. So this is not something unusual or unique, but for us, it is a change from the previous pattern of growth.

Up to the mid-1970s, we used to have only about 3% growth per annum. The reforms began somewhere in the middle of the 1980s, but picked up both speed and focus really in the '90s. The rate of growth for the last 20 years, the average has become 6%, which is twice what it was earlier, but still not as high as what we generally refer to as the Tiger economies of Southeast Asia. In the last 4 years, this rate has accelerated to 8%. Last year we crossed 9% for this first time, with 9.4%, and this year we anticipate that we will cross 9% again.

Now, I think the real question is whether we will be able to sustain this high rate of growth. There are various studies being done all time, and all of these books about it, “India Shining,” “India Rising,” and whatever, trying to look at the factors which explain the shift that has taken place in India, and particularly the more rapid growth of the last few years. The most recent report by Goldman Sachs of the BRIC economies predicts that India will become the third-largest economy by 2020. They have now actually revised many of their projections. They now project that India will grow at a rate of at least 8% until 2020, after which the rate may begin to subside gradually, but we don’t know about that. It is also expected to become the second-largest economy, surpassing the U.S., by 2050, in dollar amounts. But we have to always recognize that we are not talking about per-capita incomes here, but the total for the economy is expected to exceed that of the U.S. economy.

What are the various factors which contribute to this growth spurt, and which are the features of the Indian economy, and its political economy, which will help us to sustain this growth? First of all, it was the removal of restrictions and simplification of procedures, which helped us to unleash the entrepreneurial abilities of the people. This meant that we reduced the tariff rates of imports into the Indian economy. This rate is now below 15%; on average, it is about 12%. And it used to be in many cases, for many commodities, over 400%. And 12% is about where the ASEAN countries, the Southeast Asian countries, are. This is a pretty good rate for us to have achieved within a fairly short period of time.

What is also happening in India is that the Indian corporate sector, which formerly had to jump through many hoops to make a profit, has achieved very high productivity. Partly this is because once the economy began to open up, there was a lot of competition, and it was necessary for the corporates to make themselves more profitable, and they’ve certainly done so quite successfully. The positive element for the future is that Indian corporates are quite comfortable with their position now. In 1991, when we began the process of reform, all the big companies wrote to the Prime Minister and said, It’s not fair, we shouldn’t open up the economy, because they were used to operating in a closed, protected market. But today, according to a recent report in Newsweek, an article by Fareed Zakaria, Indian corporates are among those most optimistic about the future and have the highest percentage of support for the entry of multinational corporations into India. The U.S., you’ll be sorry to know, is at the lowest point in this and is not so happy to see foreign corporations. Nevertheless, it’s a very attractive place to focus, and many Indian corporates are coming into the U.S. economy.

But Indian corporates are very optimistic; they are very comfortable with foreign investment, and they are beginning to access the best technology that can be had from the entry of foreign companies, and they also look at the best business practices. The result, of course, of these 15 or 16 years of reform has been that the Indian economy is also getting more integrated into the world economy. Its proportion of trade is still very small; less than 1% of total trade, so we are not like many other economies which are much more trade-oriented. But still, this is a big change for the Indian economy. And the proportion of our output which is trade has expanded from 30% in 1970 to about 42% in 2006. Indian exports are growing at a rate of about 25% per annum for the last 3 years. So trade has become an important driver of growth, but not in the way that it affects other economies.

Indian corporates, as I mentioned, have become very comfortable with globalization. They are competing competitively all over the world, and they are improving their positioning through mergers and acquisitions. In fact, this year, we have had capital inflows of approximately \$14 billion through financial institutions, about \$12 billion of Foreign Direct Investment. But at the same time, something like \$10 billion has flowed out of India to finance mergers and takeovers by Indian corporates. Now, I

know that one big chunk of this is going to Tata's acquisition of Corus, but the fact is that a lot of other corporations are also buying companies; small, middle-sized.

Additionally, agriculture, which remains the most important employer in the Indian economy, which had not been growing very rapidly, has managed to reach about 4% of growth this year, partly because of favorable monsoons, and we hope that this growth can sustain. But for us, we know that it is very important to have a profitable and successful agriculture, even though it now contributes about 25% of the total output in India. Industry, which also contributes about 25%, has been growing over the last year at over 11%, and the services sector, which contributes just over 50%, grew at about 13%.

So this is a pretty rapidly growing economy, and 10 million new jobs have been created every year for the last four years. Now, this is not a very high number considering the size of India's young population, but it is a fairly substantial contribution to employment generation. And what is happening is that labor is moving away from agriculture to industry and services, which have much higher productivity, and that is essential to the future of growth in India. It's also important to something we're going to discuss later on, which is in trying to reduce the gap between the urban and the rural sectors of the Indian economy.

So now I think I want to take up the question of how and why India's successful economic growth has differed from the Chinese experience. I'm sure you are familiar with the Chinese growth experience, which has been phenomenal. It is really the first time in history that an economy has grown at such high rates for such an extended period of time, with the extremely beneficial impact of the population, in terms of raising the incomes of its people. Obviously, there are stresses and strains involved with such high rates of growth, and there are issues which I think China is facing and is seeking to address. But there is a big difference in the growth model that India has followed and that which was followed by China—and in a modified way—by the other Tiger economies of Southeast Asia.

The Indian growth model is based on high rates of domestic consumption, which is not export-led. The Chinese economy grew very fast because it produced for export, largely, and it created a mass manufacturing center which is really quite unique, and is in fact the way the whole world does business. But the Indian growth has been stimulated by increasing domestic demand and with a high rate of savings; it's 33%, this is lower than what the Chinese economy has experienced. In some places, the rate of saving there is somewhere between 45 to 55%. Also, India has had a relatively high level of investment—Again, not as high as the Chinese, but over 35% per annum.

Because the growth model is based on domestic demand, and is fueled largely by domestic savings and investment, it is somewhat less impacted by global events. Obviously it is a little bit less than some other economies which are more impacted by the global economy have in the past. But we did not, for instance, experience the financial problems that some of the Asian economies, and some others, including Argentina, did in the '90s.

Why is India able to grow at these rates and why does it have the particular model that it does have? First of all, India's political system is a democracy. In fact, this is a slogan that we use, that India is the fastest-growing open market democracy in the world. Obviously, there are other economies growing very well, but they are not necessarily democratic, or, at any rate, are still making the transition into a more democratic political system. We think that Indian democracy yields a stable policy plan. We believe that even though we may be slower than some other countries, because it's a noisy, fractious democracy, when a decision is made, after a lot of arguments, after a lot of shouting, it is a decision which is actually accepted by the whole political spectrum. And in fact, since 1991, when the reform

process began, we have had 6 governments, 5 Prime Ministers, but no major reform measure has ever been reversed in this period. So there is a real stability to decision-making in India.

We also have a judicial solution. We have a well-established, respected legal system. We have signed on to all the commercial legislation that countries have put out, we are members of the WTO, and contracts are enforced in India, including those contracts which are all international arbitration where there are disagreements. We think that this is also very helpful in sustaining growth in India. We have a favorable demography. We have a lot of young people; more than 50% of our population is below the age of 30. And this means a lower dependency ratio, one of the issues which has become a complex thing for the more developed countries to face. But in India the population is very young and we will continue to have a favorable demography, at least until about 2030, whereas in other, even rapidly growing Asian countries, the rates of dependency will start growing faster. This doesn't mean that we are not interested in limiting the rate of growth of the population; we are, and the government continues to promote voluntary family control measures, but these are entirely voluntary, which they have to be in a democratic political framework.

We also have well-developed soft infrastructure, which includes of course the legal system, etc. but also, the workforce is largely English speaking. English is the language of business, which has been an advantage for us, particularly in the IT industry. And it is a relatively well-educated population, but I choose these words carefully, because I do want to say also that education is one of the challenges that the Indian economy faces today, and it increasingly will face.

Because of some of these features, what has grown most rapidly in India are the knowledge-based industries, including the IT enabled services, pharmaceuticals, biotechnology, nanotechnology, financial services, etc. In some ways we feel that this is our niche. This is what India has excelled at, and this is where India would like to continue to invest our financial resources, to invest in research and development and to try to promote.

Another thing which has been important and is different in the Indian and the Chinese experience, is what we call the NRIs, the Non-Resident Indians. In the case of India, the NRIs are an important bridge in the IT industry. They've played an important role in the IT industry in the United States particularly, but also in the UK and in some other developed countries. This was the skill of India, and this is also what the United States has been a leader in; the IT industry. So these factors all came together, and they came together particularly for the Y2K issue, from which point IT in India really took off very rapidly. The Overseas Chinese have also played an important role; I don't know too much about it, but I know that they were important in Guangzhou, investing in the Chinese economy. But that's a different contribution, and it has different stem-offs than what has happened in India.

One of the things that has contributed to the growth in India is the success of the IT industry. It has privileged education, so a lot of people in India now focus on education. A lot of poor people are going to spend an unbelievable proportion of their income on the education of their children, and because IT is more or less gender-neutral— in fact, some companies prefer women-- this is having an impact on women as well, and on their self-image, because it's the one industry where women are not discriminated against—so much, I should say. But this has had an impact, in my opinion, because people seek to acquire more skills, our workforce is growing more skilled, and it also has had a demonstration effect and spin-offs on other industries.

Obviously, the IT industry could succeed only by the linkage with the huge expansion, and really what is the telecom revolution in India. The availability and purchase of mobile phones in India is growing at

a rate of 80% every year since the year 2000, and we are the largest market for mobile phones. And this is a sort of virtuous cycle, because it reinforces the information technology revolution in India as well, but it also has very interesting benefits for the rural economy. One of the cases cited that is really interesting is that of fishermen. At the end of the day, when they are coming back to the coast with their catch, they are checking at which port the best price is being offered for their fish and actually steering towards that area. If you live in any metropolitan city in India today, you will find that even the guy who supplies you with vegetables, he will take your order on the phone. Because India provides the cheapest telephone services in the world, it has made a big impact. In fact, Vodafone, which just acquired Hutch, which is one of the telecom providers in India, the CEO happens to be of Indian origin, and he says he sends his managers to India to study how it is that India has been able to lower the cost of telephone services to the point that it has, because they still charge much more than what is charged in India. Of course, as I said, this is the whole way we do business, the way people socialize, the way I keep in touch with my daughter, or whatever.

Now I want to take up the impact of India's importing 70% of its crude oil needs on current and future growth. This is an issue which impacts not only India's current and future economic growth, but it has a global fallout as well. Rapid growth in India and other emerging democracies has certainly increased worldwide demand for oil, according to this recent report by the International Energy Organization. But the fact is that developed countries are by far the largest consumers of oil. An American consumes 30 times more energy than an Indian, so that's the gap. Clearly, as the rate of growth in India continues to be higher, the energy that we will consume will also rise. The difference between, say, an Indian and a Chinese today is 4 times. So clearly as we grow more rapidly, we will certainly be consuming more and more energy.

I think there is a concern, globally, on how to deal with this and how particularly to deal with the price of oil, which I think is actually today \$200 per barrel. One remedy is increased new discoveries, and we are seeing that today. There is a report of a huge oil discovery off the shore of Brazil in which the official spokesperson of the President says that they may be as big as Saudi Arabia in oil wealth, but of course there are technical issues and all sorts of things, and that is going to add to difficulties of extraction. But obviously that is only one way to deal with this.

I don't know if any of you noticed, there was an article by Thomas Friedman in the New York Times on the 7th, an op-ed in which he makes the interesting point that just as India was able to provide the trained manpower for addressing the Y2K issue, where a lot of people found that India was the place that they would go to for English-speaking people able to do the kind of data-crunching that was necessary not to be blocked by the turn of the century. He is suggesting that maybe the energy issue can also be addressed. His point is that a number of companies, and I think Dell most famously, have recently said that in the next few years they want to be neutral, in terms of reducing their carbon imprint to zero.

And perhaps one of the ways to do this in the corporate sector is something that we are also trying to do, the big IT companies in India are also trying to do. So, you know, Infosys, which has tried to reorganize its production and to rejigger its energy infrastructure. Essentially, it is to reduce material costs to simplify the logistics and to drive down the electricity charges to shorten the supply chain. Other corporations will then have to reconfigure the way that they run business. In some ways, I think it's the way Wal-Mart changed the whole process of logistics and eventually management. So maybe something as big as that will have to happen in the energy industry for all of us to reduce the use, and he is suggesting that perhaps the Indian experience really has something to contribute to this.

I think, also, I want to say that it's not only in technology, it's certainly in the Indian ethos; we do have Mahatma Gandhi, who was critical of the idea which may have powered Western thought of conquering nature rather than to live in nature, to be in harmony with nature. And we have to stop being antagonistic and stop trying to consume nature. And this is important to us, this is as important to India as it is for everybody else.

The high price of oil is an issue for us at this time. Up to now, it has been absorbed by the government subsidizing the price at which oil is sold, and kerosene, which is still a cooking source for a lot of people in India. But this is causing mostly public sector oil companies in India to lose money at a very high rate as the price has continued to rise. So while this policy has kept inflation at approximately 3%, it cannot be sustained over the long term if the rate remains that high.

India is focusing on increasing the output of nuclear energy, coal-based, and other non-conventional sources of energy, especially on wind energy. One of our companies which started only about 10 years ago has already become the 5th largest producer of turbines for wind energy. We do recognize, of course, that coal-based energy has an adverse impact on the environment, both for India and globally, but we don't have an alternative to adopt for ourselves at the moment. And the Indian position for the talks is that at any event and at no point in time will our emissions exceed those of developed countries. So if other countries are willing to bring down their emissions, we will certainly bring ours down as well. But I think it's very difficult to deny growth to a country where the vast majority of the population is still so poor. And even those who are now benefiting from our recent growth, it's really difficult to say, oh, you cannot have a car, when people in the West have 3 cars per family. Certainly no democratic polity is going to be able to say that to its people.

So finally I reach the issue of how crucial is the eradication of poverty for sustaining India's political and economic stability and growth. The single most important objective of the government of India has been the eradication of poverty: political objective, economic objective, social objective. This is the single most important objective. The percentage of people below the poverty line has been reduced from 51% in 1970 to just below 20% in 2006. But given the size of our population, this still means that approximately 250 million people are absolutely poor, and roughly the same number are quite poor, even if they are not at less than a dollar a day, they are at about 2 dollars a day.

Although there is a large and growing middle class in India, we recognize that poverty has implications for political and social stability. So what does the government aim to do? The government of India tries to devise policies for inclusive growth. And this is really something that the Prime Minister speaks about, the Finance Minister, the Vice Chairman of our Bank, the people who draft our economic policy are all speaking about inclusive growth. I think nobody's so naïve as not to think that clearly this has political implications, and is important for their political party, and it is good that it's important for political parties, that growth is not confined to a small sector of the population.

So what are these policies? In the interest of time, I'm just going to mention a couple of them. Investment in agriculture has become one of the most important plans, and this means that we invest in the infrastructure for agriculture, which includes irrigation, but small irrigation, in rural roads, and in technological upgrades. And this was one of the most important things from the United States. Scientists were so crucial in the first Green Revolution in India, when hybrid seeds were developed, that we now have a program where we can get it to move into the next Green Revolution.

Another objective is to reduce the rural-urban divide, because generally incomes in the urban areas are higher than in the rural areas because productivity in the urban areas is higher, but this does not mean

that we want the whole population to move into cities. India's cities are already very large and clearly not going to be able to sustain a higher population. For example, in India we have 35 cities with over a million people in them. I think in the United States it's 8 cities, even though this is obviously a much more developed economy. In the last plan, which is ongoing now, the allocation to health and education has been doubled, and it is hoped to use this allocation to increase both the enrollment and the quality of education. As an after-effect, we now have 90% more children between the ages of 6 and 14 enrolled in schools. But it remains an issue for us and a big problem that the dropout rates are still high, and particularly of the girl child. And that is a whole separate subject which I will be happy to address in questions.

The other element which is useful, which again has both economic and political implications, is to reduce the regional imbalances. The economies of the southern and western states are growing much faster than the central and the northern parts of India, except for some small states. So some policies, such as the building of the Golden Quadrilateral, are opening up access to the rural areas. These policies have an impact on labor growth, they have an impact on tax on agriculture, in fact India has no tax on agricultural income. But they also have an impact on lower income. And these are among the issues that the government tries to address.

So I'm going to stop here. Thank you.

Ms. Ellis: Thank you. We are going to open it up for questions, and I will lead it off with one foreign policy question and one economics question. The first is, there's a lot going on in your neighborhood, in Asia: in Pakistan, in Myanmar. And I'm just wondering, number one, how concerned India is about recent events in Pakistan, what steps they are taking, and in terms of Myanmar, India is one of the countries that has, or is perceived to have some impact, because of your economic and security relations there. What can you say about your position given your interests as well as the international pressure to bring change there?

Consul General Deo: Well, let me start with Pakistan. I think you might notice that, perhaps for the first time, India is not being blamed for what's happening in Pakistan. Otherwise it was always the case, whatever it was that happened. This is of course only one aspect of the issue. We are seriously concerned with what is happening in our neighborhood, because actually the neighborhood has never been more troubled than it is today. I mean, you look at Pakistan, you look at Sri Lanka, you look at Bangladesh, which is quasi-martial law, you look at the problems that Nepal is facing, even though they've had elections, the Communist party is in Parliament. You look at even little Maldives; they've had a near-coup and a certain level of instability continues.

So our neighborhood is really having difficulties with making the transition. And certainly for Pakistan, we hope that it will be a democratic process, and we are very concerned about how this will all play out. But we want to stay out, and as I mentioned it's a good thing in Pakistan, nobody has tried to accuse us of having had any part in this. We would not want to make a comment that draws into the process that is underway in Pakistan.

On Myanmar, let me say that the perception is somewhat exaggerated. India's trade with Myanmar is around 650 million dollars. The United States has one billion dollars of trade per day with Canada. So you want to keep this in perspective. And what is it? We buy lentils and small agricultural products, that's the kind of economic exchange. A lot of India's programs with Myanmar have been tuned towards manpower or human resource development. We provide textbooks for schools, we send professors to the university, we try to help them to conduct Ph.D. courses in Yangon University. We get

students from Myanmar to India, and officials for training, particularly in IT. That's the bulk of what we do with Myanmar.

But of course we have relations, and we have political exchanges. And we have said that the level of violence we saw in Myanmar earlier was certainly not acceptable, and we are happy to see that there's been a meeting between Aung San Suu Kyi and a member of the government, and a reasonably optimistic statement has come from Ms. Suu Kyi. The UN representative, Gambari, has been there twice, the human rights media is also going in to ascertain the number of people who actually were killed, since there's such a wide disparity. So I think that, fortunately, there are some positive developments in Myanmar.

Question: What factors do you, and the Indian government, foresee that could possibly cause problems or setbacks to the strong rate of India's economic growth?

Consul General Deo: We certainly see that there are challenges. And one of the important challenges will be education. We speak of a demography dividend, because it's a young population. But a young population must be educated, and that's why I mentioned that we've doubled the allocation to agriculture. We've focused on primary education, something that we had not done well on in the past. But we also recognize that we have to improve the quality of higher education in India. We may have some very good institutions like the famous IIT and IIMs. But in fact there is already being felt in India a tightness in the availability of middle management and well-trained engineers, even though we produce something like, I'm not one hundred percent sure, 200,000 engineering graduates a year. So we recognize that education is a very big and important challenge.

We also know that education in those states where literacy is higher than in most of the country, is also intricately linked with the status of women in India. So Kerala, which has historically had a high rate of education, is at a below replacement rate of growth of population. Or we take Tamil Nadu, which has had very good programs to keep girls in school, and now has zero rate of growth of population. But in parts of the country where education has not moved as successfully, we also do not see the same kinds of benefits in our population growth or in the status of women. So that's a big challenge.

The other challenge is clearly infrastructure. We have some programs, like the Golden Quadrilateral, etc. but within infrastructure, even though there has been fantastic improvement in, say, telecommunications, or civil aviation, where the rate of growth of passengers carried is 25% per year again, and the airports have begun to be modernized and expanded. There is a quite good movement in the development of ports. But energy, power, is our greatest constraint to sustaining a high rate of growth, and we have not seen a lot of foreign investment in the power sector either. There are programs underway, but that will remain an issue for us for some years at least. So on the economic side I would say that these are the two major potential constraints.

Ms. Ellis: Just to follow up on that, could you just comment on the role that nuclear power can and will be playing in terms of economic development? I know that your Prime Minister was just in Russia talking about nuclear development.

Consul General Deo: At present, nuclear power supplies about 3% of the total power consumed in India. We need to expand this, at least partly because the coal that India has, and India has a lot of deposits of coal, but the quality of coal in India is poor. It has very high fly ash content, which is very polluting. So we would like to expand the use of nuclear power. One of the constraints has been the availability of technology for nuclear power from the United States and other developed countries,

because India is not a signatory to the Non-Proliferation Treaty. We don't intend to sign this treaty for the same reasons we didn't sign it in the past; because we think it's discriminatory and we also think it's not really effective. Because all those countries that have had proliferation, they are signatories to this treaty, so whether you are looking in the newspapers and looking at North Korea or looking at Iran, or Libya for that matter, these are countries which were signatories. We don't think it's been a very effective treaty. We also think that a lot of these problems arose out of the nodding and winking at what happened in Pakistan, which, according to Mr. ElBaradei, ran a "nuclear Wal-Mart," he called it.

I mention this only to say that we have no plans to sign the treaty. So what we did was arrive at an agreement with the United States, which is being referred to as the 123 Agreement, because that is the section in the U.S. Energy Act which has to be amended. Clearly this is an important agreement for us, because it will give us access to high technology, not only nuclear technology. This is important also for giving us access to everything that comes under the rubric of dual-use technologies, from the United States and from other countries which are members of the Nuclear Suppliers Group, and the IAEA. So this is important, but at the moment, as many of you may know, it's held up because of a lack of consensus in India. We will see how it plays out.

Question: I wondered if you could comment on the contribution of women entrepreneurs to India's phenomenal economic success, or the impact on the economy.

Consul General Deo: Let me begin by saying that women in India face a lot of the constraints that women face here, and then some. So if there aren't that many women to talk about, it's because they're only beginning to be able to access positions of power and to become entrepreneurs in their own right. This is not because they haven't been entrepreneurs in the past, but because it was always something that was in the name of the husband or the father or whatever male relative, who was usually trying to appropriate the income as well. I think there are some important women entrepreneurs now, and some of these names are becoming well known now. The head of HSBC in India, Naina Lal Kidwai, is in these lists that we get of "The Fifty Most Important Women," etc.

The ICICI bank has traditionally had a lot of women employees at the top, so banking is one of the sectors in which women have faced less constraints, shall we say, in moving up. Market research in India is actually, interestingly, dominated by women. There are many women who have been important in this area. We have Shobhana Bhartia, who runs the Hindustan Times. This is a paper that her grandfather started, but the fact is that she is now the one who runs it. So we have women. We also have women in the IT industry, with start-ups of their own. We have Apollo Hospitals, the CFO is Sangita Reddy, but you know, her father began the operation. Of course, I like to think that it stays profitable because of her. So we are getting more and more women, but it does remain the case that women are in charge of family concerns and are not necessarily the public face. We have, of course, like a lot of other developing countries, women in the government, in the bureaucracy, in diplomacy. The public sector banks, like the State Bank of India or the Reserve Bank of India have not had a female head, but several of the deputy directors have been women. I think that for us it will have to be those industries which value the skills that women have, so IT I think is a great leveler for us, and I think that perhaps in other areas, women still have to wait, because all the traditional values, you know, getting a loan from a bank, getting venture capital, all of these factors operate in India as well.

Question: I'm with Vital Voices, and I'm glad that you mentioned women entrepreneurs and those issues. We recently launched an India chapter that brings together women leaders from the private sector and the public sector, and we're especially interested in corporate social responsibility in India. While there's still much growth in India's economy, we're interested to learn about corporate interest in

returning to the community, and especially in investing in women. And you had mentioned the challenge to education and a lot of other rights-based issues; I'm wondering if you could comment on some of the corporate social responsibility best practices by the companies.

Question: I wanted to ask about the legal environment for working women in India. Sometimes there are rules on the books but they're not enforced, as far as parental leave. Also, to what extent is India dependent upon agricultural imports to feed its growing population?

Question: I have another question about women's economic contribution in India. I recently read that India has, in comparison to other countries, a large participation of women in politics, but significantly less when it comes to economics, and if you could talk about that disparity and maybe why that's the case.

Consul General Deo: I think that a lot of the corporations, especially those that are family-owned and run, it's usually the women who do the corporate social responsibility part of it. So if you take even Tata, for instance, Mr. Ratan Tata acquires Corus, and his wife runs the social aspect of it, and Tata is one of the best corporations in the world, actually. Something like 60% of their revenue goes into a trust for charities, and they participate in research, women's things, education, environment. So women continue to play that role.

The legal environment for women is excellent. The constitution of India bars discrimination on gender grounds, and women had the vote from day one. The laws for inheritance, which was the big block for everybody, are now on par. That doesn't mean they're implemented necessarily that way, and that always takes some time to come to, but the legal environment is excellent. Government provides very good benefits; I think it's 3 months of paid maternity leave, and it now even offers some paternity leave. The corporate sector is always behind government on these things, but the legal environment is very good.

India actually became self-sufficient in food, but I think that now when we import it's in order to build up a buffer stock, but largely India is self-sufficient. We continue to import vegetable oils and we do import, as I mentioned, even from Myanmar, lentils, which constitute a big part of the diet in India. So we import certain products, but we also export some, and largely it's self-sufficient.

Actually, the number of women in Parliament has declined; it used to be even higher. But the most important thing that has happened in India in recent times was the Panchayati Raj legislation, which required 33% women in the Panchayat, all over the country. So for the first few years, this meant some of the guys who ran it would put up his wife and he would come along and attend in her place, etc. But that has taken some time and we've moved on from that. But what this means in statistical terms is that 1 million women are elected to political office at the grassroots level, every year. And of course women, just like men, once they get past the shyness, the social values, they've acquired a taste for power and become their own person. And we find that in a lot of cases where the women are actually able to participate in the Panchayat, there's less corruption, and there's more investment in social goods; in education and health, because of their much greater concern for what's happening to the children.

Question: This is a question I ask on behalf of my husband. Do you know when the Mahindra is coming to America, it's a car, from India?

Consul General Deo: It's an SUV? I don't know, because I know that they export tractors, and Anand Mahindra, who was here yesterday for the Indian Film Festival, he said he hopes to see his cars here soon. But he didn't say a date, so I don't know.

Question: I'm interested in the foreign direct investment question, whether there are incentives, formal or informal, for investment overseas, especially in Africa?

Question: I have a question regarding cultural ideology. What do you think has been the role of the caste system in preventing or encouraging business development in India?

Question: I have a question on improving the quality secondary education as well as R & D. As you know, India is a country whose scientific breakthroughs are largely funded by government grants, and what role is the government playing in encouraging scientific R & D?

Question: The question I have for you is, specifically in the context of labor, in the spirit of globalization and liberalization, one of the key questions that comes up frequently in the debate is in terms of citizenship and the role of the state, and I'm wondering, there's much debate about India, especially in terms of IT, ITeS, where women are between 14 and 16% in terms of the labor force, what are the implications of being moved from what I'm increasingly hearing is a social responsibility to market the way to citizenship?

Consul General Deo: I don't think there are any specific incentives for private sector investment in Africa. What the government does is to provide exit bank loans to encourage investment, so if the Indian entrepreneur can find an enterprise in a specific African country, then the partner in that country can apply for a benefit under the loans that have been provided. But the government doesn't give any other kind of incentive.

The role of caste, caste is a huge issue in any part of India's society; its economy, the rural areas particularly. I think what's happening is that in an urban setting, it is no longer the organizing social principle. Particularly, for instance, for IT; just as I said, it's an opening for girls to go into IT. In an IT setting, at Infosys, nobody cares who's who and won't know, because there's a big mix of people from all different regions, language regions, also different castes, obviously men, women, everybody together. But it remains an organizing social principle in rural areas. And unfortunately it remains an important part of politics in India. So we have parties which are at least caste-oriented, if not exclusively caste-based.

So obviously that has re-awakened a kind of idea of caste, but I don't think it is something which is turning people back to privileging caste, or wanting to be within caste associations. I think largely as a result of the constitution, the independence movement, the work of major social reformers like Mahatma Gandhi or like Ambedkar, who was the author of the constitution. Everybody recognizes that it's not a good thing. But how long it will take for it to become irrelevant even though it doesn't go away? Because of course it doesn't go away, even in those religious groups in India which have converted from Hinduism. For example, you will see advertisements which say "Brahmin Christian Girl" looking for whatever kind of... Or Muslim communities all over South Asia, marry within their caste groups, even though obviously Islam doesn't recognize anything of the sort. And this, unfortunately, because it was also the social organizing principle, it remains that. So naturally, it also impacts business development in India and acts as a constraint, just as gender has been a constraint on business development.

The quality of education is certainly something which is a major concern. The government has announced plans to try to replicate best practices by opening more Institutes of Technology, more Institutes of Management. But that's not going to resolve the problem, because how many people are going to an IOT? We really need an overhaul of the whole higher education system as well. It's something that is hugely political, I think, in any country, when you are trying to change the education system. And of course there are lots of differing opinions about it among the different parties in India.

So I don't think that we're going to see a quick reform of the higher education system, but what is happening is that a lot of the private colleges are opening up, and particularly in the IT area. You cannot turn a corner without a computer training institute, they're called, but it's really a one room shop, very often. So the private sector itself is doing a lot of in-house training. Infosys will recruit 30,000 people and then train them for varying periods of time, which may be from 2 weeks to a year at a time. So what governments are trying to do, like Maharashtra, is that it builds a relationship with a company. The kind of people the company needs, the government will tie up with them and then train, technically train people who can work in that industry. So a lot of things like that are underway, but it's uneven; in some states much more, in others, a lot less.

Question: In terms of labor as it applies to globalization and liberalization, one of the key things is the idea government responsibility and corporate social responsibility, to the formation of unions, etc. And in the global period, globalization, liberalization, increasingly we're seeing a shift in terms of individual empowerment to then the corporation taking on the so-called lead. And I'm trying to say that there's been this debate about whether the state is now becoming really more of a facilitator for corporate enterprise, and are we shifting from social citizenship to market-oriented. Increasingly, everything's been about, you mentioned education, or the example where it's increasingly privatized, and what are the implications for women if these businesses go out later? Is there going to be a race to the bottom, and then who takes care of some of these things like education and labor?

Consul General Deo: Let me say on labor, even though there have been efforts to amend the labor legislation; there has been no amendment. The trade unions remain powerful. Very often, they do a lot of good things. Very often, the positions they take actually make no sense. For instance, the Communist party in the labor unions fought long and hard to preserve a high rate of interest for the Provident Fund, but who contributes to that fund? People like me—Government officials and organized labor. And this is less than 30 million people in a country of over a billion people. In my opinion, that was wrongheaded. You should not pay a high rate of interest to such a small group, and we belong in any case to a privileged part of the population. But no, labor unions remain very strong.

Of course, in India, labor unions are all politicized. They are all attached to various political parties and so they do pursue, to varying degrees, the agenda of their political parties, which is not surprising, because there is ideology involved in labor cooperation and in the objectives of the labor movement. So I don't think government moved out of that sphere. But it's also not an area in which there are very productive developments taking place at the moment. And certainly the whole issue of SEZs, which is possibly what you have in the back of your mind, the Special Economic Zones, has had a very mixed career in India. They were hugely successful in China, and of course a lot of people were interested in having them set up. In India, there is a big sense, and a lot of criticism that it's not for the purposes for which it is supposed to be set up. And government has been forced to revise its policy for the Special Economic Zones.

So I don't think government's gone on to that area yet, and certainly this government particularly, which stays in power with the support of the Communist parties. I don't think we will see any change in the labor situation for the next few years.

Ms. Ellis: We've come to the end of a wonderful evening. I want to thank Ambassador Deo for her informative and stimulating talk, and for all your good questions, we really thank you for coming. Thank you so much for having us.

Consul General Deo: Thank you so much.