

- (b) initiate efforts enabling the inclusion of environmental factors into economic calculations and thus providing a better basis for international economic cooperation;
 - (c) encourage industrial enterprises to include pollution prevention in their production plans;
 - (d) develop and formulate a common ASEAN position to be presented to the Ministerial Level Conference on the Environment for Asia and the Pacific and later to the United Nations Conference on Environment and Development in 1992.
- (C) *ASEAN Cooperation on Population Resources and Development*
Reiterates the 9th General Assembly's Resolution on Population, Resources and Development for the:
- (a) Dissemination of population-development information through various media;
 - (b) Strengthening of population-development inter-relationship:

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SOURCE: Ministry of Foreign Affairs (ASEAN Section) Republic of Singapore.

Roundtable on the Changing Global Environment and its Implications for India, ASEAN and the Asia-Pacific New Delhi, 23–24 July 1990 Summary Record

What are the changes in the global environment? What do the dissolving of the Cold War, the “freeing” of Eastern Europe, the proposed Single European Market in 1992, the recent emergence of Japan as a major power, portend for Asia as a whole and for India in particular? Can India continue as before, by and large, insulated from the global economy? Or should it respond to these changes?

Is there a constituency for liberalization in India? Is liberalization behind closed doors possible or is an open-door policy a *sine qua non* of liberalization? Is privatization synonymous with liberalization or are there middle-of-the-road answers, such as corporatization? Does India's peculiar combination of size, diversity and democratic traditions make commitment to any single policy path well nigh impossible?

Where can India draw lessons from — Russia (the centralized planning system that failed)? Indonesia (the Asian country most akin to it socio-politically)? Taiwan, Korea, Singapore (the small NICs with big ambitions)? China (the inscrutable Oriental, content to go its own way regardless of global trends)?

A gathering of pre-eminent Indians, academicians and policy-makers, met with their counterparts from Korea, Indonesia, Singapore, and Japan to raise and address these questions at a roundtable organized by the Institute of South-East Asian Studies, Singapore, and the International Development Research Centre at New Delhi on 23 and 24 July 1990. It is not possible to reproduce faithfully all the divergent views expressed at the Roundtable. Instead this summary record focuses on the salient discussions and attempts in good faith to capture the overall tone of the proceedings.

There was a wide consensus on the view that world politics has come to be dictated more by economics and less by ideology in the present era. In fact the whole trend towards globalization can be seen as an outcome of the nations' search for economic opportunities and growth. The relaxing of socialism in the Soviet Union and its overthrow in Eastern Europe are not due to the ideological victory of democracy but due to the economic failures of socialism. Similarly Japan's dominance of the world stage is based on its economic surpluses not on its military power (which matches its diminutive size). So too the entire *raison d'être* behind the European community consolidation is the freeing of trade and the strengthening of market forces.

Where does this leave Asia? Is there the possibility of a parallel movement towards a united Asia under Japanese tutelage? Japan does not think so, was the consistent line given by its representative throughout the proceedings. The ethnic and religious multiplicity in Asia, compounded by the widely disparate sizes and development levels of the countries in the continent make the notion of a single leadership untenable. Moreover, Japan has never fancied itself a world leader in the sense that the United States has been in recent times and Great Britain before it. It is more comfortable defining its relationship with other countries in terms of business deals. Also, although Japan has emerged as the largest single donor of aid in the last year its aid policy differs substantially from that followed by Western countries. It would prefer to concentrate its largesse on like-minded nations willing to work hard and succeed, rather than allocating it in terms of poverty levels or need for help criteria.

What is possible and desirable in the Asian context, is that the Asia-Pacific nations constitute a loosely defined, open, trading bloc based on mutual understanding. The ASEAN nations have already woven together an identity of this kind. A larger Asia-Pacific identity is also emerging. Important to mention in this context are the Singapore-based, Pacific Economic Cooperation Conference (PECC) which organizes at regular intervals a tripartite confluence of officials, academics, and businessmen from these countries and, at a more formal level, the Asia Pacific Economic Cooperation (APEC) started on the initiative of the Australian Government. Significant from the Indian viewpoint is the fact that India has not participated in or even been invited to take a place in these and other such fora.

Where exactly does India stand *vis-à-vis* the international community, in the rapidly changing global scenario? Whatever little leverage it could extract as leader of the non-aligned nations is largely lost. With the dissolving of the Cold War, non-alignment as a concept has become anachronistic. Clearly the time has come for a re-think on the entire subject. And the answers this

time round will have to be more in terms of economic relations rather than political. Should India choose isolation or integration with the global economy? If the former, the costs have to be counted. If the latter, the modalities have to be worked out. The organizers of the roundtable were unequivocally in favour of greater integration of the Indian economy with the global mainstream. However, the purpose of the Roundtable, it was clarified at the outset, was not to hector India but to provide a forum for a healthy exchange of development experiences with other Asian countries, in addition to providing the visitors an insight into the changes that are taking place in India.

All shades of Indian opinion were represented at the Roundtable. Broadly speaking there were three main streams of thought: (1) The Conspiracy Theorists or those of the view that pressures for liberalization and opening up of the economy are part of developed nations' strategy to plunge the developing world into debt and ruin and that liberalization is the latest guise of neo-imperialism. (2) The Liberal Lobby or those in favour of greater deregulation and prevalence of market forces. (3) The Floating Vote or those aware of the gains from trade but willing to concede that the fears of conspiracy theorists may have a basis, therefore safeguards are necessary.¹

For the delegates from Japan and the Southeast Asian countries, the widely held impression at the start of the proceedings was of India as an extremely regulation-prone and close-minded nation. Views were revised during the course of the meeting to admit that many important changes were taking place in the Indian economy. However opinion can be said to have been equally divided between those who left with the impression that the country is on the verge of a breakthrough and those skeptical about whether the pace and extent of change were adequate.

Self-reliance and equity have been the cornerstones of post-Independence economic policy in India. A domestic industry completely protected against outside competition and largely protected from domestic competition through restricted entry, "sick" mills which are not permitted to die, sprawling, inefficient state monopolies, and labour legislation which, in its zealotry to protect the work force, has become anti-employment, have been some of the products of this strategy.

None of these features can be described as unique to India — they have been part of the development history of many other countries, as well. But India may be singular in that it has not been possible to relegate much of all this to the pages of history where it belongs. In recent times the country has felt wafts of liberalization but they do not even begin to match the pace of changes that have swept the world on both sides of it. Discussion focused on whether India is right in its spirit of caution, as only time will separate the hype from the wisdom, or whether it is in very real danger of missing by procrastination the boat to prosperity.

The juncture was considered appropriate to re-examine the basic tenets on which the country's development policy was based. 'Self-reliance' was an important concept for a country emerging from colonial binds into a bi-polarized, mutually suspicious world. However, in the new environment willingness to surrender is a more powerful force than nationalism. Japan has apologized to Korea for its war excesses. Many Asian countries have walked away from the shadows of their colonial pasts and redefined their relationship with the West.

The whole 'self-reliance' model, it was felt, needs to be taken down from the show-case and replaced with one which enshrines a less negative nationalism which takes pride in the quality of its

manpower and is ready to make its mark in the world on the basis of intellect and enterprise instead of one hiding behind barricades.

To move on to the question of "equity". "Equity" has always been regarded in India as a legitimate altar to sacrifice growth upon. Equity, obviously for the sake of the poor. Yet the development experiences of the Southeast Asian countries bear ample testimony to the fact that countries which have concentrated upon *growth* have succeeded in doing much more for their poor. For example, Taiwan and mainland China, starting with comparable income levels in 1950, now have per capita income levels of \$7,500 a year and \$350 respectively. In real terms Taiwan's growth rate averaging 8.7% annually has meant higher life expectancy (74 years), better schooling (almost 100% elementary education) and little unemployment (about 1%). Similar stories can be told about the experiences of the two Koreas, one with its emphasis on growth, the other on equity (or the two Germanys for that matter). Moreover, these countries also demonstrate that growth need not be inimical to equity itself. Taiwan is not only among the world's fastest growing societies, it has also been for the last two decades its most egalitarian. Clearly, there is a strong case for India to re-assess its pro-poor policies and determine whether they are not simply "pro-poverty" policies.

There is a strong section of Indian opinion which tends to dismiss the experiences of the Southeast Asian dragons as irrelevant to a country of India's size and diversity (and this section was adequately represented at the roundtable). It was argued with some validity that (a) some of the countries (for example Singapore, Hong Kong) are no more than city-states and do not have the burden of a large agricultural sector to carry with them, and (b) that while absolute amounts spent on these countries by foreign donors/investors may have been low, per capita foreign investment would have been very high. A comparable per capita investment for India would be of a magnitude impossible to raise.

While conceding the above points and also an additional one that the smaller size and greater homogeneity of these countries made it easier for them to get their act together, it nevertheless remains essential that India does not miss the deeper lessons to be learnt from these countries which are about development philosophy and methods of working. Competitive efficiency, deregulation and the free play of market forces, more efficient investment decisions, constant technology upgradation and higher productivity of human resources are perhaps even more important to a large overpopulated country than to a small one.

There was a greater openness to the Indonesian experience. Indonesia with its large size, high population-density, predominantly agrarian structure, commitment to socialist ideals and state ownership of key sectors is in many ways the closest parallel available to India. The country was a late convert to the new economic gospel spurred on by domestic calamity and an explosion of circumstances due to the collapse of international oil prices, and helped along by a healthy demonstration effect from its neighbours. It devalued currency while keeping a check on domestic wages, diversified exports and deregulated the economy encouraging greater domestic private and foreign investment, and emerged successfully out of the crisis. Opinions were voiced that perhaps India too needed a crisis to catalyze it into action and perhaps in its present balance of payments situation, it has the makings of one. There was a near unanimity on the need to study the Indonesian example more deeply.

The point was repeatedly made that in the past few years very real changes have been made to deregulate the Indian economy and these need to be publicized not discounted. Industrial licensing is no longer such a bottleneck, as in the past. Raw material imports have been opened up and exports liberalized. Export promotion zones have been set up. Foreign investments and technology collaborations are now much easier. And the Indian consumer has already partaken of the benefits of much of this in terms mostly of better quality and sometimes of lower prices of products.

While much has been done in recent times to make “entry” into industry easier, “exit” clauses have not received as much policy attention. Draconian labour laws make exit of inviable units impossible as well as force investment into more capital-intensive enterprises (which is ironical for a human-resource rich economy). Subsidies, permits, duty-exemptions by distorting the viable size of industrial units encourage them to remain artificially in the ‘small scale’ sector.

Moreover, any industrial reform in India can remain only partial as long as it pertains to private enterprise alone. The public sector with its control of key industries like power, steel, and heavy electricals is pervasive in its influence, with very few industries, perhaps none in the country which does not have to transact with it, directly or indirectly. Does the answer lie in privatization? Not necessarily, was the consensus. A private monopoly would not necessarily be a better alternative to public monopoly. The essence of the answer again is in increasing competitive efficiency for which what is needed is not transfer of ownership but a change in the methods of working. Decreased bureaucratic control, competitively determined prices instead of an administered price regime, flexibility in the hiring and dismissal of employees, merit-based promotions, market wages rather than negotiated wages, no mutual off-setting of losses, may all go a long way towards increasing public sector productivity without letting go of the “commanding heights” of the economy.

There are examples of other countries which have managed successfully to “corporatize” or restructure and expose to more competition their public sectors. Foremost among these is Indonesia. Singapore too has over 600 efficiently run state enterprises. Britain which has privatized to a large extent nevertheless offers examples of several big companies like British Steel and British Coal, which achieved enormous operating improvements while still state-owned.

Another issue that repeatedly surfaced, was whether it is necessary for India to open up to foreign investment and trade? For a country of its size with no need to search for markets, it should suffice to set the domestic economy in order through deregulation and increasing competitive efficiency. But to subscribe to this view is to discount the importance of new infusions of technology, management principles, and work ethics. The Indonesian example can again be cited where the “rub-off” effects of foreign entry were largely responsible for creating a spirit of entrepreneurship, and giving to commerce a respectability that the country’s domestic business community would have found hard to achieve on its own, given the country’s socialist ideology.

In the Indian case too it must be recognized that the constituency for liberalization is a small one and, left to its own devices, may be overwhelmed. Indian industry, a well-fed infant of forty-five or more years is in no mood to play “competition”. Opening it up to large, efficient foreign firms with established brand names may be a more effective and quicker dose for India’s oligopolistic, family-owned industry structure, than merely allowing unknown Indians with half-century handicaps to have a shot at it. Nor can liberalization hope to find champions in the country’s well-cared

for organized labour force, and certainly not in its politicians who stand to lose the favours which are theirs to dispense in a regulated economy, or in the bureaucracy with its deep-rooted belief in its own importance. The pressures for liberalization can come only from the burgeoning consumer class (which itself is partly the creation of the first foreign infusions) and from new entrants to industry. Neither of these are organized into a vocal lobby. In the circumstances, the importance of opening the economy to foreign influences and the need for an international demonstration effect should be kept in mind.

Liberalization has come to India stealthily almost by a process of osmosis from the outside world rather than through conscious, committed political leadership. The most important public commitments are to populist policy measures still — caste-based reservations for education and jobs, waiving-off of agricultural loans and the “right to work” (in the particular context it is unmatched by an obligation to productivity). Either side may sway the balance. The two factors that may yet swing things in favour of economic rationalism are the fear of isolation from the international mainstream and the explosion of circumstances or a crisis large enough to shock the country out of its complacency about its macro-economic management.

An interesting note to end upon would be to point out that while to the Indian mind the above discussions would point to a failure of socialist methods and centralized planning, almost all participants from outside regarded democracy as somewhat antithetical to growth. The Japanese and Southeast Asian success stories are not related to the Westminster or Capitol Hill versions of democracy but to their particular work ethic and sense of discipline. Democracy in their context has been a product of growth rather than vice versa. So too, even as the Soviet Union has admitted the failures of its socialist methods, there is a growing realization in the United States that it is losing its edge in the world because of its failure to maintain a high saving rates, and consumption in excess of its savings. This is a product of its democracy where today’s voters are empowered to leave liabilities for tomorrow’s generation.

The answers therefore are by no means simple or all there in black and white. All that emerges is a direction. To generalize very broadly, trust in human endeavour pays off better than suspicion; free-play of competitive forces are more effective regulators than rules, barricades, protection; it is easier to capitalize on the profit motive of mankind for its own benefit than to change human nature; and lastly that while discipline should not be imposed from above, it is what distinguishes an enlightened society and holds promise of mankind’s greatest potential for balanced growth.

NOTE

1. In this context it may be relevant to point out that left-of-centre thinkers are still the most dominant intellectual class in India, holding important public positions, controlling important academic journals, and representing India in international fora. However, what has changed in the past five years or so is that the intelligentsia in India is no longer synonymous with the Left. Rightists have left the confines of business and business publications, acquired a broader profile, won over an important section of public opinion and have gained political and professional respectability.

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