

India and the World: Scenarios to 2025

Executive Summary



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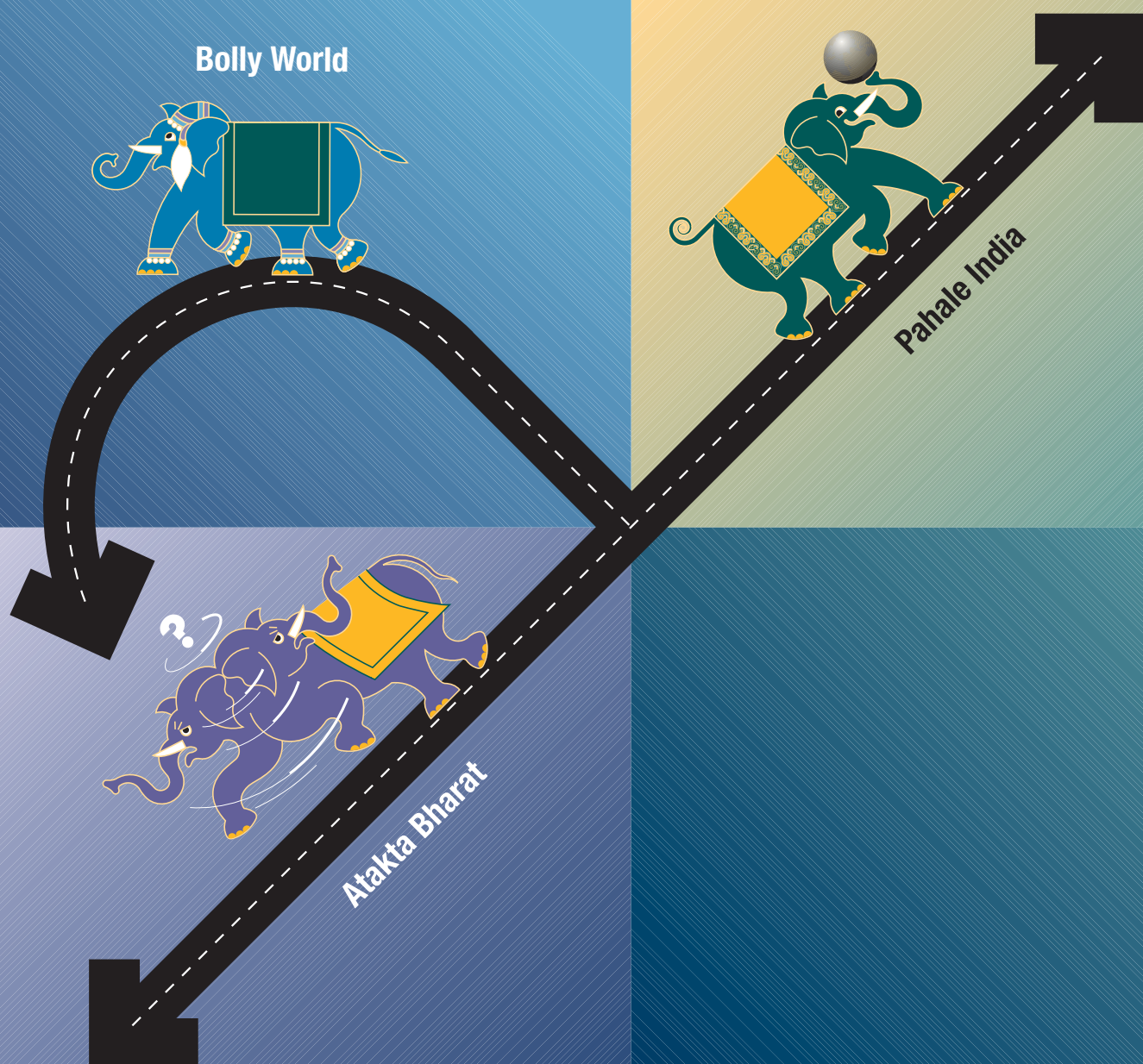
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Few countries can boast the immense diversity of India: among its 1 billion people, there are 18 main languages, 844 dialects and six main religions. Rich in the traditions and learning of myriad ancient cultures, the sub-continent has long been a place of pilgrimage for travellers. Since India's independence, ancient traditions have increasingly converged with modern influences, and India has become progressively more internationally integrated.

Since the late 1940s the effects of government controls led observers to coin the term "the Hindu rate of growth" to describe the country's sluggish economic progress. However, the reforms of the mid 1980s and early 1990s sharpened the pace of change and, as globalization has advanced, prompted by rapid technological developments, India has become more significant in international markets. Now many analysts are predicting India's emergence as a global player, set to follow the blazing economic success of another giant, China.

It is not difficult to see the rationale behind such optimism. Key trends that could drive and sustain these new dynamics include:

- **Favourable demographics;**
- **A large pool of low cost, skilled labour;**
- **Entrepreneurial, indigenous companies;**
- **Continuing economic reforms and global integration;**
- **A stable political regime and democracy;**
- **A record of high, sustained growth rates.**

However, there are also major challenges that India must address if it is to achieve and maintain this kind of growth and development, including:

- **India and the world: How will India take her place at the world table—and how will the world accommodate the emergence of India as a global player? How will the global environment change and how might India respond?**
- **Geopolitical stability: What direction will the war on terror take? What will be the nature of India's relationship with her neighbouring countries? How will India ensure her energy security?**
- **Employment and demographics: How can India take advantage of her young and growing population and transform it into a demographic bonus? Will the rising aspirations of the young be met?**
- **Education: How can India maintain and develop her educational excellence while making sure that increasing numbers of young people across India are equipped with employable skills?**
- **Infrastructure: How will India develop adequate social and economic infrastructure that meet the needs of both her people and developing industry?**
- **Leadership: Can India develop the leadership necessary at all levels? Will coalition politics continue to constrain necessary reforms? Can national interests and self-interests be aligned?**
- **Administrative and political reform: Can India strengthen her ability to implement and execute the necessary reforms and change? Will India break the back of deeply**

entrenched corruption and bureaucracy?

- **Rural development: Is it possible for India to develop the rural sector where the majority of her people reside? How will rural development contribute to the strength and robustness of India's economy? Can India manage the disparity between urban-rural communities, and between states?**

The Key Questions for the Scenarios

From amidst the many challenges confronting India, the project's participants identified two core questions, the answers to which will shape the path of India in the next two decades:

- **Can India engage the whole nation in its quest for sustained security and prosperity?**
- **How will India's relationship with the world impact the Indian Agenda?**

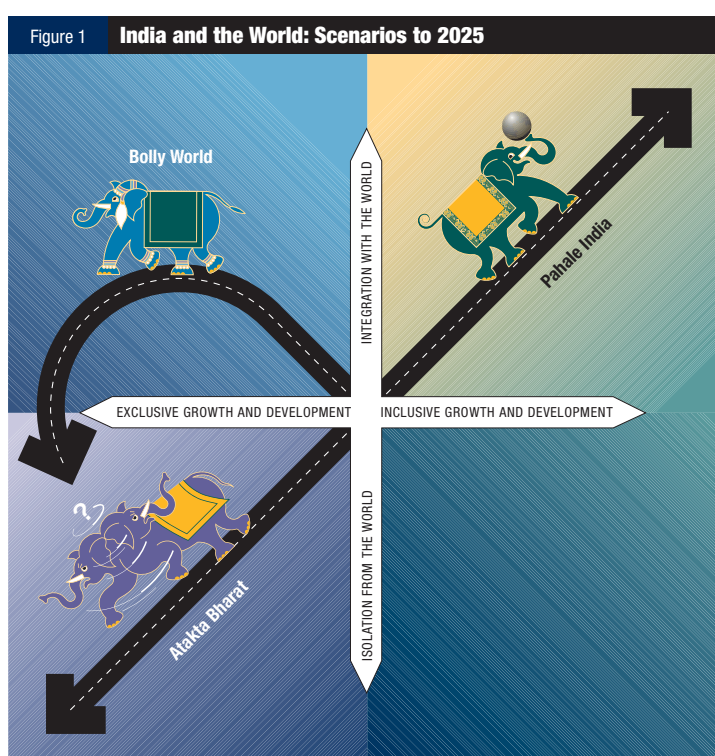
The project's participants used these questions to build three different possible futures for "India and the World" over the next 20 years.

Different paths for India through to 2025 are represented in figure 1.

Can India continue with "business as usual" — a path of rapid economic development that benefits only a minority of the population? **Bolly World** is a story of how initial economic success becomes unsustainable, and domestic social and demographic pressures soon trigger an economic reversal.

But need this happen? Could India achieve sustainable economic and social success?

Pahale India ("India First") describes how a widely shared vision for India's future aligns national aspirations and creates common goals. Everyone puts India first, determined that the entire nation will benefit from India's development.



This building of a broad-based economy provides sufficient internal strength to support India's ambitions to become a major world player.

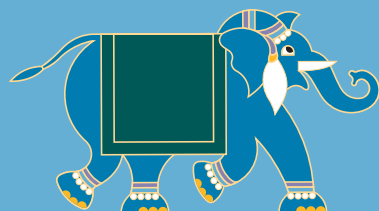
However, a less benign future is also possible, especially if the international environment proves less supportive of India's aspirations. In **Atakta Bharat** ("India getting stuck"), the global economy slows, offering few benefits to India, while within India there is little and uneven development.

Within the full document, available on our website (www.weforum.org), these basic storylines are further developed and supported by detailed modelling and additional analysis. "Shock boxes" on selected topics (analysing developments of unknown probability which if they happen would have tremendous impact) have also been included within the scenarios, and presented in creative formats for further illumination of the key challenges.

Bolly World

“Bollywood” is the name given to the highly successful Indian film industry, famous for its masala movies—melodramatic extravaganzas with spectacular song and dance numbers. The title “Bolly World” reflects a future in which India’s leaders are so dazzled by the immediate gains to be made in international markets that they fail to implement much needed domestic reforms.

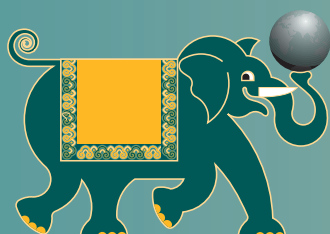
The scenario is told as a conversation overheard on a plane flying from Delhi to Dubai in 2025. A chartered accountant tells his travelling companion why he thinks India is no longer experiencing international success and is facing so many problems. As he puts it, the situation “is just like Bollywood itself—once you get behind all the glitter and the razzmatazz, you realize—the whole thing is just an illusion.”



Pahale India

“Pahale India” means “India First” and this is reflected in the scenario in at least three ways: 1) people from across India put the needs of their community and country first; 2) India emerges as a global economic leader; and 3) India’s dynamic internal developments make it a source of inspiration for the rest of the world.

This story is told by a successful Indian businesswoman at the 40th India Economic Summit in 2025. Her keynote speech explores the reasons for India’s remarkable success.

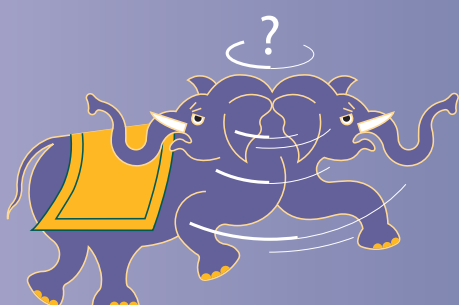


Atakta Bharat

“Atakta Bharat” describes an India “getting stuck without direction” reflecting the lack of unified action and absence of effective leadership that, in this scenario, create a continuous and cumulative source of problems for India.

The scenario is told as the transcript of a speech given at the monthly forum of the Hyderabad GM Crop Collective. The collective—a collaboration between the Hyderabad Farmers, Seed Developers and Rural Workers Cooperatives—is an example of one of the more positive responses made by some Indians to the multitude of troubles facing India.

The speech itself also draws attention to the importance of self-organization and self-help. Entitled “India’s last 20 years: Why we must help ourselves”, it explores how initial well intentioned attempts at reform in India failed—because of corruption, inadequate planning and insufficient political will. The speaker raises a number of what he calls “if onlys” to describe how India’s future could have been very different.



2005–2015: The lavish promises of international business encourage the Indian government to make changes that hasten immediate economic growth. Low operation costs and cheap labour attract the investments of the international community—but these are concentrated in IT and upper-end knowledge intensive sectors.

Anxious to hold the attention of global business, the Indian government follows its lead as it makes its own investments. Rural areas remain undeveloped and underfunded and growing numbers of poor and unemployed are migrating into the cities, whose infrastructure cannot support them. India's leaders discuss "the problem of poverty" but fail to make necessary reforms.

2015–2025: Inadequate structural reforms mean much of the Indian economy faces constraints and the growth momentum is unsustainable. Unreliable infrastructure, skill shortages and growing disparities between regions and

income groups hamper equitable growth. In many poorer states, unemployed and disaffected youth join extreme religious groups, take to petty crime, or are drawn to "sons of soil" type movements. These tendencies preoccupy policy-makers and governments at all levels, making it difficult for them to focus on measures to promote economic growth and equity.

A global economic downturn induces OECD countries to focus on efficiency and competition in domestic industries. This causes greater unemployment in these economies, prompting multinationals to withdraw and reduce international investment in India. Preoccupied with behaving like a global power, India has neglected regional relationships and now cannot rely on them to bolster economic performance. Economic growth is insufficient to alleviate chronic poverty or raise living standards. India's initial successes in the first years of the new century now seem like a dream.

2005–2015: The many diverse individuals and groups fighting for India's future align their energies and visions behind a single goal: putting India first. Crucially, this includes a new generation of leaders who push forward a series of legislative and administrative reforms. Six key areas needing urgent, large-scale investment are identified. They become the cornerstone of a massive, countrywide campaign for change, known as "PAHALE: the Six Pillars of India's Future":

- **P**overty alleviation – basic needs for all
- **A**griculture and rural development
- **H**ealthcare
- **A**ccess to education
- **L**eanfrogging infrastructure constraints
- **E**ffective governance

Burgeoning globalization provides a huge boost to the Indian economy—the government balances the desire for immediate profit with more long-term development goals.

Meanwhile, it manages its ambitions to become a global power with sensitive handling of regional dynamics, carefully fostering constructive relationships with individual countries.

2015–2025: The international environment gradually grows less benign and the global economy slows. However, because India has made adequate preparations—internally in terms of reform and equitable distribution and externally in its international relationships—it sustains a robust level of development.

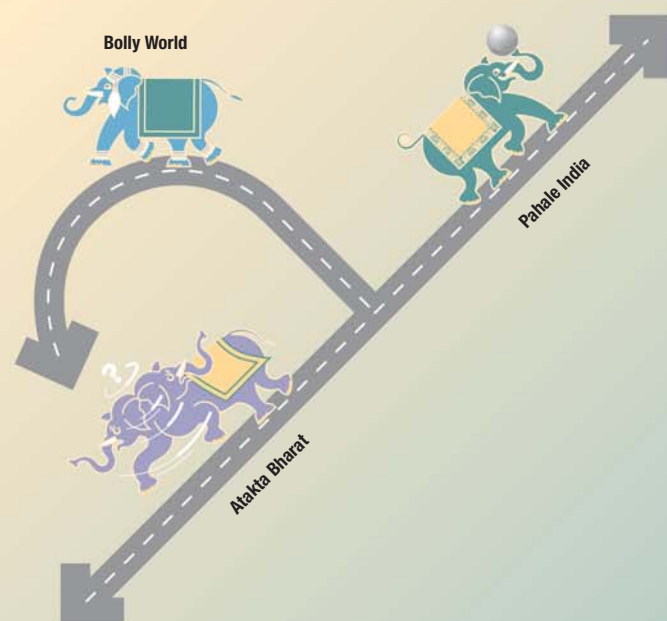
Over the 20 years of the scenario, India's leadership and society build the capacity to implement reforms and sustain inclusive development across the country, taking advantage of its growing population. By 2025, India has been lifted by a virtuous cycle of higher, sustained economic growth, balanced development and global integration, and is transformed into a significant, respected and responsible global power.

2005–2015: Despite endless committees and interminable conferences about India's future, the Indian government fails to take action to instigate reforms. Within India, this means a lack of infrastructure—inadequate roads; limited communications, healthcare and education systems; no attention to water management—and growing disparities between rich and poor. Rural areas remain undeveloped and the numbers of poor and unemployed increase.

The international environment is becoming increasingly difficult: economic demands and domestic pressures mean that the US is withdrawing from international engagements. And the rest of the world seems to be following its example, adopting increasingly protectionist policies. Gradually the global economy slows. In this context, India is not a tempting prospect for foreign investors who begin to pull out, or choose other cheaper, less dangerous destinations.

2015–2025: In the face of these escalating problems, the Indian government still cannot achieve consensus. The only area they can agree on is the importance of raising military spending as turmoil in surrounding countries increases. The Indian people stop looking to the government for solutions and concentrate on finding their own means of survival. Corruption increases, as do conflicts—over resources, and religious and ethnic differences.

But some, like the Hyderabad GM Crop Collective, find more peaceful and constructive ways to self-organize: pooling knowledge and resources, reaching out to find similar groups in other parts of the world. By 2025, it is movements such as these that provide a glimmer of hope in what seems otherwise to be a bleak future for India.



The Three Scenarios

This table provides a comparison of some of the most important aspects of the scenarios, with more analysis presented in the Annex.

	Bolly World	Pahale India	Atakta Bharat
Economic performance	Growth led by a few select sectors, competitive in global economy. Rural development neglected.	Broad-based, high growth benefits majority and sustains internal economic development, while enhancing global economic integration.	Low growth, with potential constrained by lacklustre global economy and domestic economic weakness.
Social development	Unbalanced development driven by a few internationalized sectors and states. High disparity across states and regions.	Balanced development. Access to opportunities for all, benefiting majority, including women and the poor.	Rural development neglected. People and communities must help themselves. In best cases this leads to community self-organization; in worst cases, corruption and violence.
External relationships	Aspiration to be a major global player; neglects regional relationships.	Proactive economic diplomacy. Respected global player, ensuring peace and prosperity for South Asia and the world.	Reactive foreign relations, shaped by global environment and immediate neighbours.
Leadership & governance	Oriented towards the self-interest of vocal and privileged minorities. Highly opportunistic; lacking in long-term vision.	Leaders put India first, above personal and sector interests. Aligned, effective and inclusive at all levels.	Dissatisfaction with ineffective national and state governance means that people take care of themselves. Leaders emerge from within communities with varying results.

Annex: Comparing the Three Scenarios

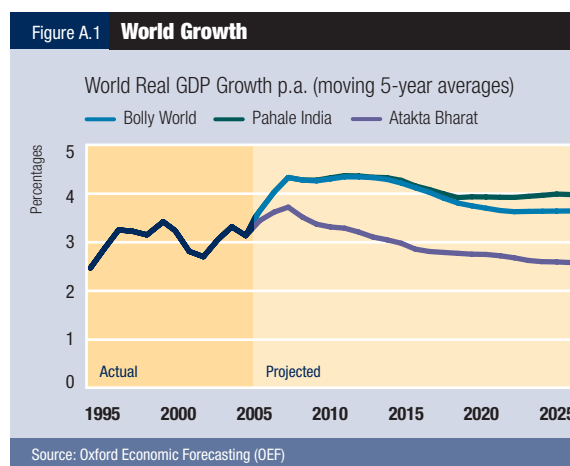
This section provides an overview of how some selected economic and social indicators may evolve over time. This analysis is based on economic modelling and analysis, to ensure plausibility and internal consistency of the various scenarios.

The selected indicators that we provide here include:

- i) **Global GDP growth**
- ii) **India's share of developing countries' FDI inflows**
- iii) **India's share of world trade**
- iv) **India's GDP growth**
- v) **Change in poverty levels in India**

Using the data

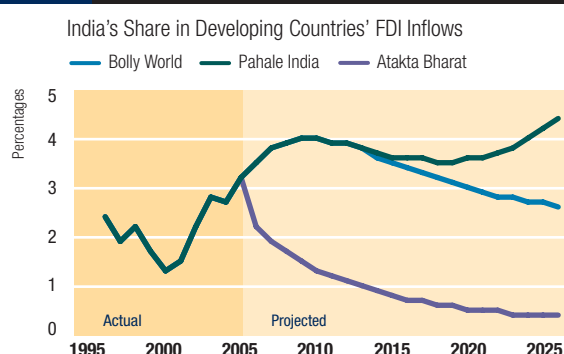
The data provided above could be used for developing leading indicators to determine which of the three scenarios is actually unfolding. Of course, users need to bear in mind that the scenarios and the attendant analysis are descriptions of only a set of possible futures, as seen from the current perspective. They should not be seen as predictions or forecasts. Hence the data provided serves only as a guide and should be applied and monitored with careful judgment.



i) Global GDP growth

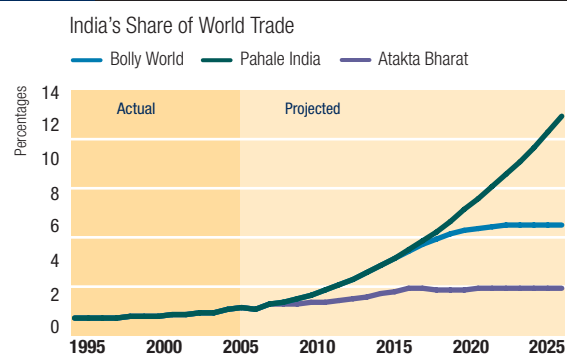
A benign external environment enables economic growth in India in the first decade in *Pahale India* and in *Bolly World*. Global growth peaks in 2008 with a real GDP growth rate of 4.5% before slowing down to a moderate growth of about 4% – still fairly high in historical terms. In *Atakta Bharat*, the international environment is difficult and increasingly so throughout the scenario period. Global growth slows gradually to as low as 2.5%.

Figure A.2 Foreign Direct Investment



Source: Oxford Economic Forecasting (OEF)

Figure A.3 India's Exports



Source: Oxford Economic Forecasting (OEF)

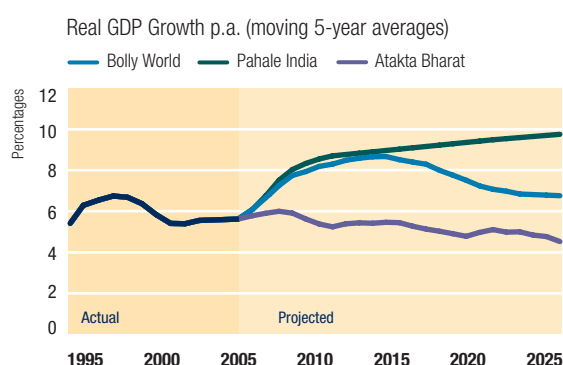
ii) India's share of developing countries FDI

India's share in developing countries' FDI rises constantly in *Pahale India*, while in *Bolly World*, it drops after the first decade as India loses its attractiveness. In *Atakta Bharat*, investor confidence is extremely low and the share drops steadily.

iii) India's share of world trade

India's share in world markets increases more than seven-fold in *Pahale India*, driven by both services and goods exports, while in *Bolly World*, the growth in market share tapers off in the second decade. In *Atakta Bharat*, India's trade share fails to improve in view of the poor global environment and her inability to gain in relative competitiveness.

Figure A.4 Economic Growth in India

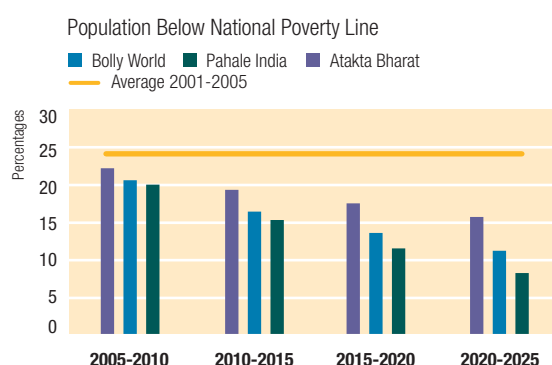


Source: Oxford Economic Forecasting (OEF)

iv) India's GDP growth

In *Pahale India*, despite the global downturn in the second decade, i.e., around 2016, India manages to maintain and even slightly increase its growth due to its improved competitiveness and growing internal demand. It moves steadily towards a growth rate of 10% per annum. In *Bolly World*, the slow down in global demand in the second decade has a direct effect on India's exports and FDI inflow and thus on the GDP growth, which goes back to the levels of the 1990s. In *Atakta Bharat*, India is unable to benefit from the difficult global environment or implement internal reforms, and growth moves steadily back to the "Hindu rate of growth" of the 1980s.

Figure A.5 Poverty



Source: National Council for Applied Economic Research (NCAER)

v) Change in poverty levels in India

The sustained and inclusive growth and development in *Pahale India* allow India to reduce the poverty ratios by two-thirds of its 2001-2005 average. In *Bolly World*, growth is still strong enough to cut the ratio in half, while in *Atakta Bharat*, the poverty ratio is reduced by only one-third.



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