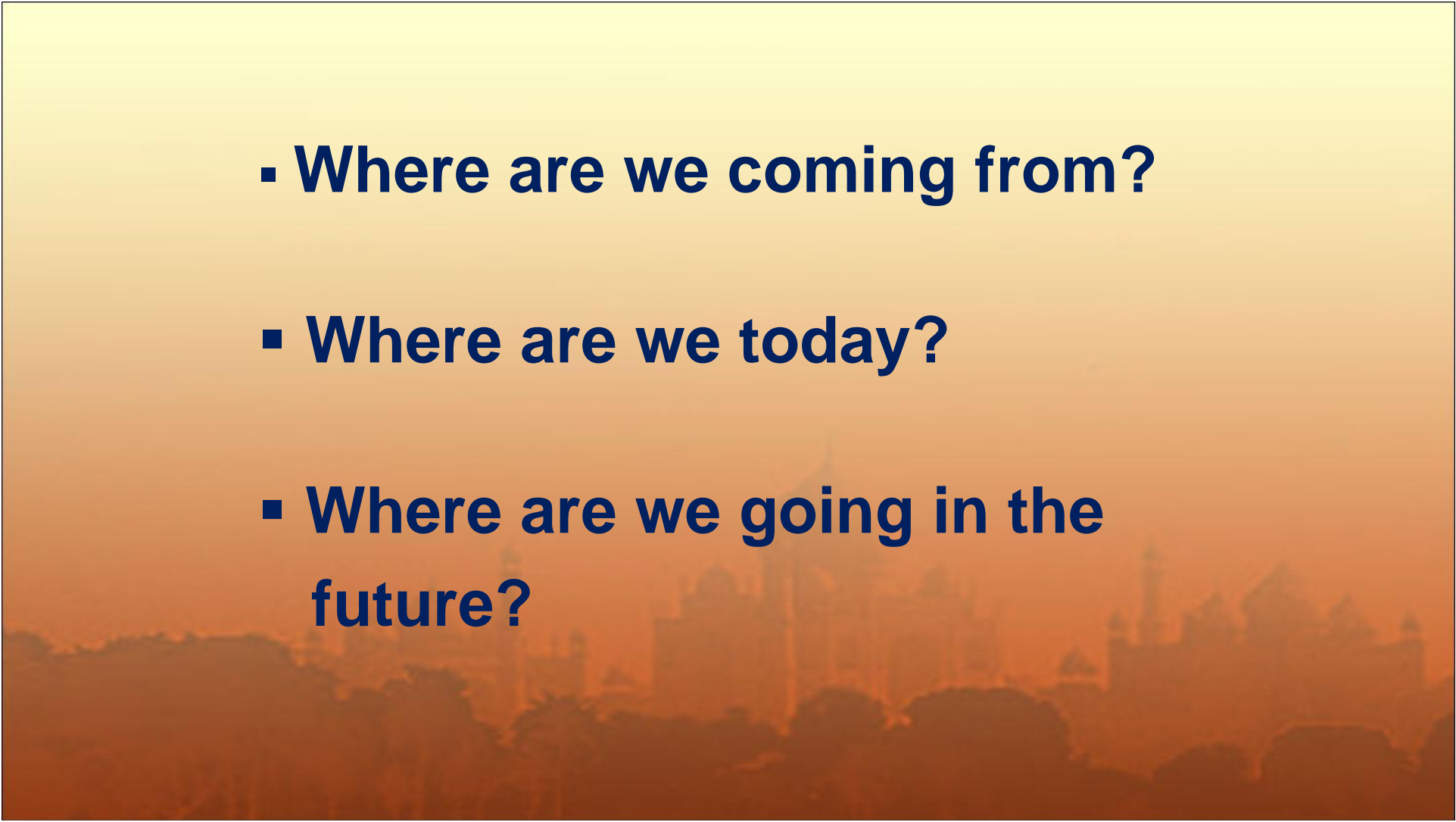


The background of the slide features a sunset over a city skyline. The sky transitions from a bright yellow at the top to a deep orange and red at the bottom. In the foreground, the silhouettes of several domed buildings, characteristic of Indian architecture, are visible against the lower part of the sunset.

# **UNDERSTANDING INDIA'S GROWTH & OPPORTUNITIES**

**Susmita G. Thomas  
Consul General of India  
San Francisco**

- 
- **Where are we coming from?**
  - **Where are we today?**
  - **Where are we going in the future?**

**Even though the world has  
just discovered it, the India  
growth story is not new  
It has been going on for 25 years**

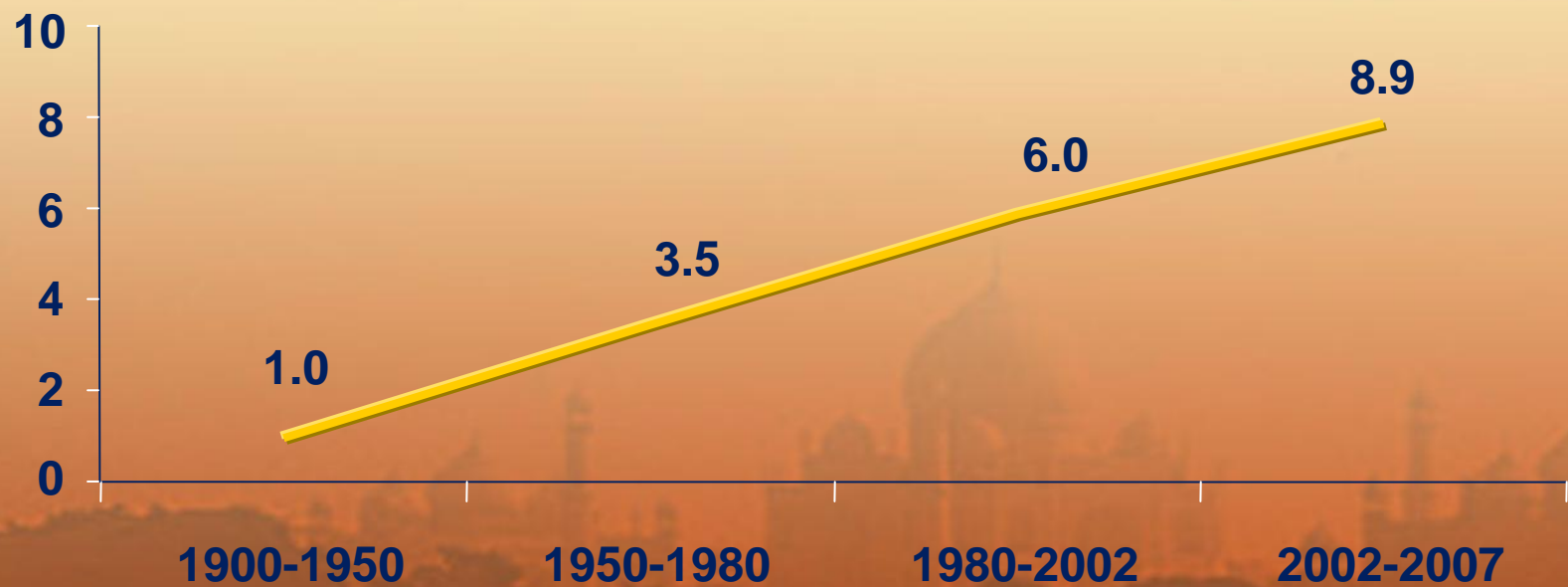


**What is the India  
story?**

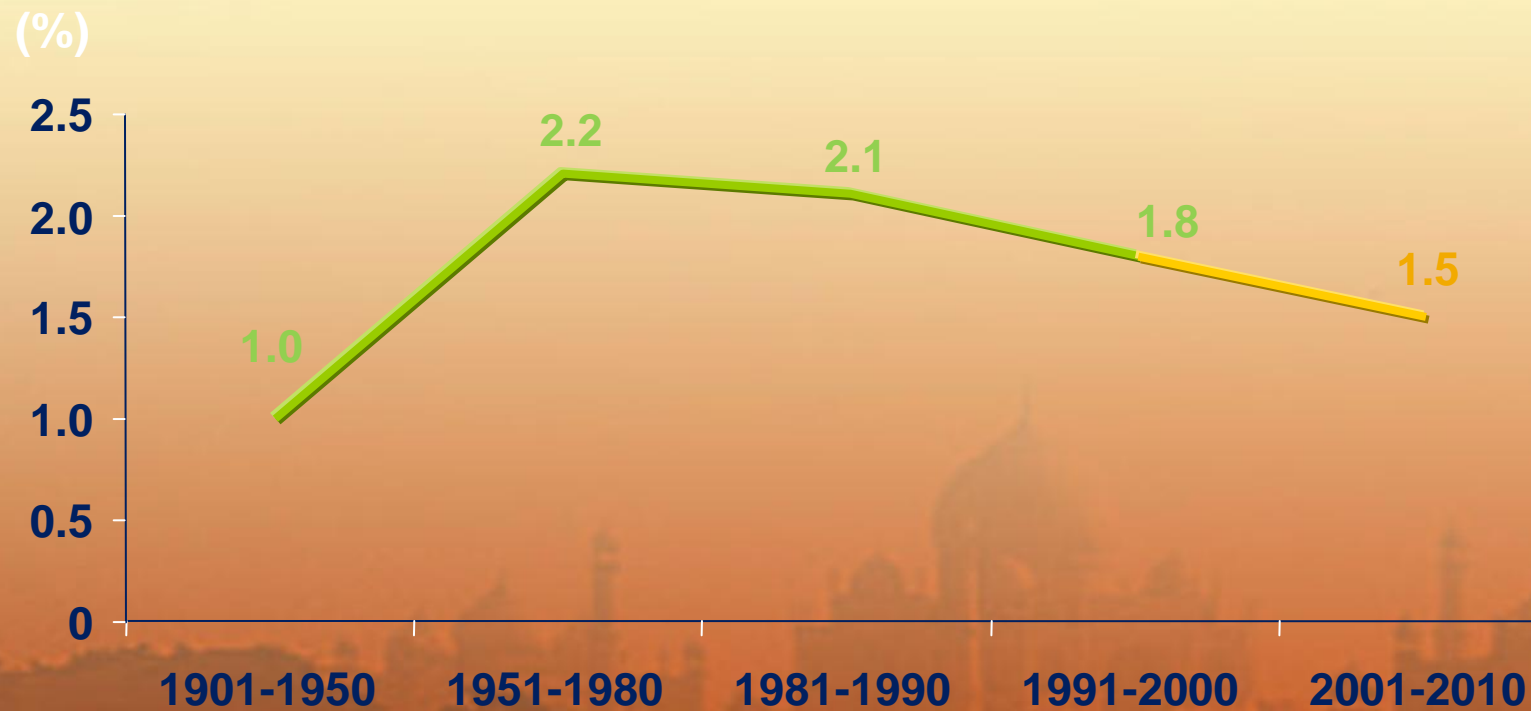
# 28 years of high growth

## Average annual GDP growth

(%)

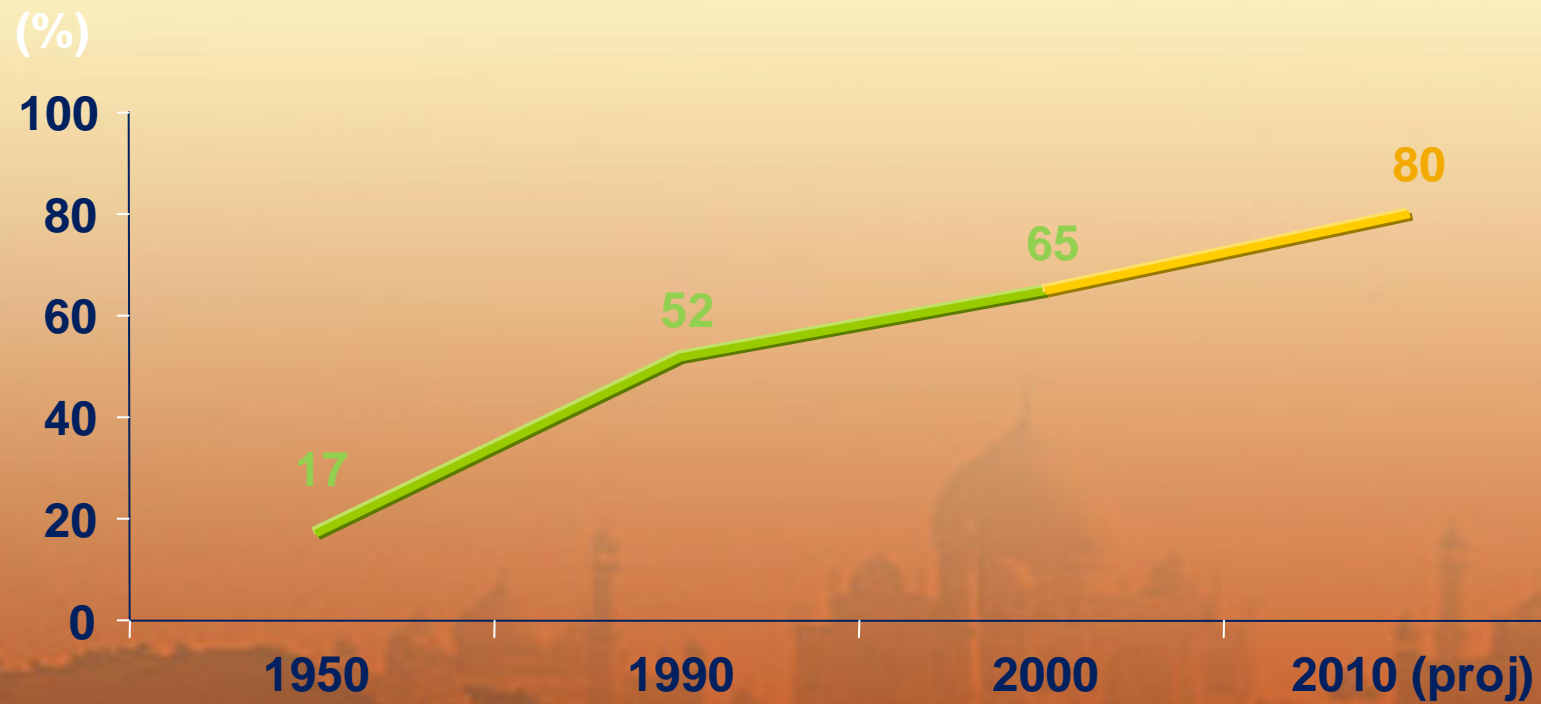


## Population growth is slowing



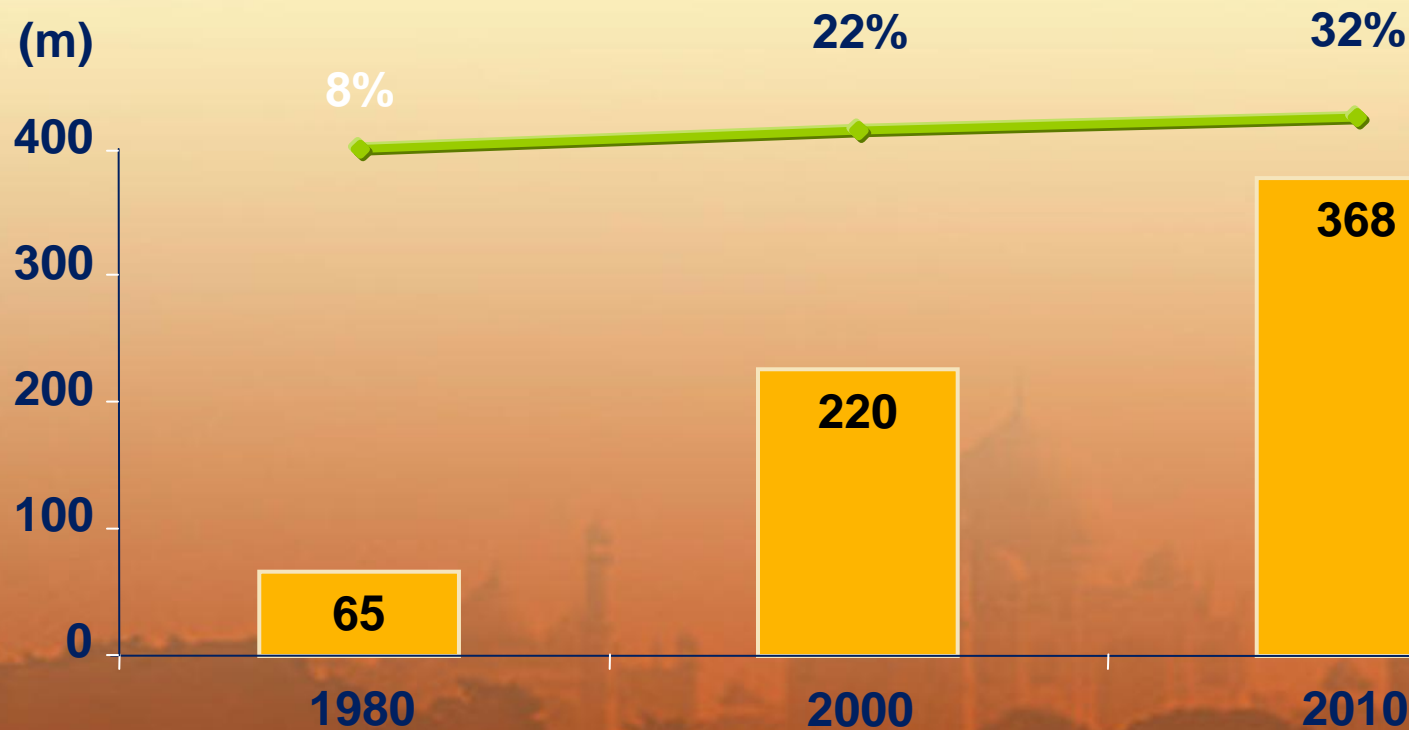
Sources: 1900-1990: Angus Maddison (1995), Monitoring the World Economy, 1990-2000: Census of India (2001)

## Literacy is rising



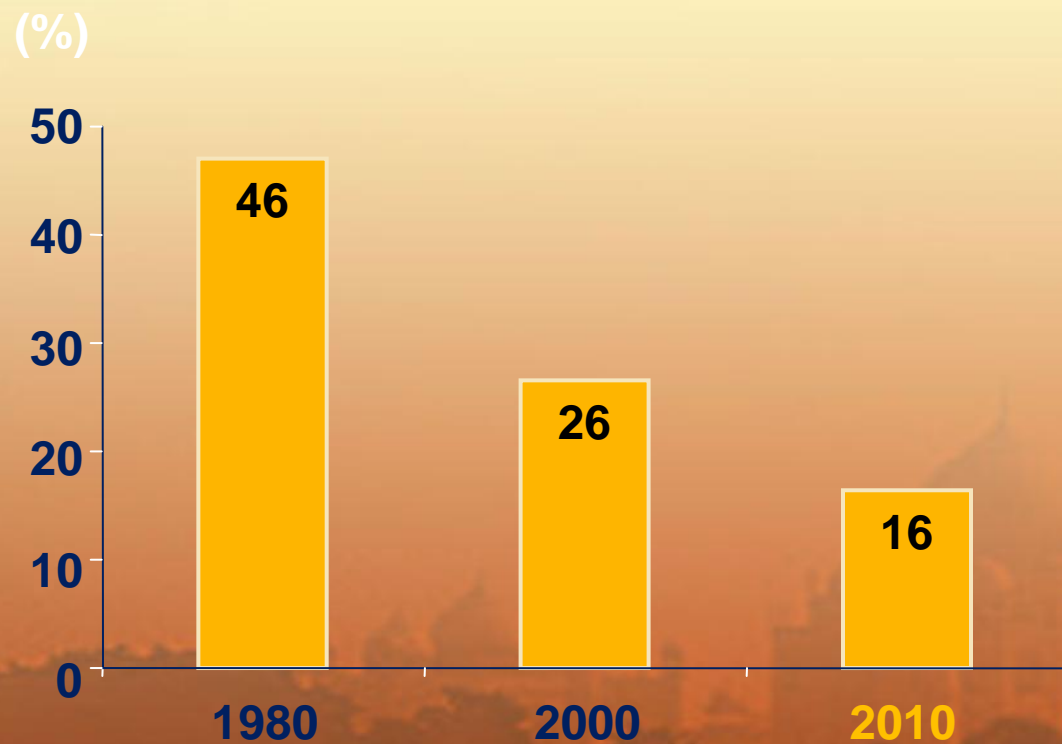
Source: Census of India (2001)

## When middle class is 50% then the politics will also change



Source: The Consuming Class, National Council of Applied Economic Research, 2002

## Poverty is declining

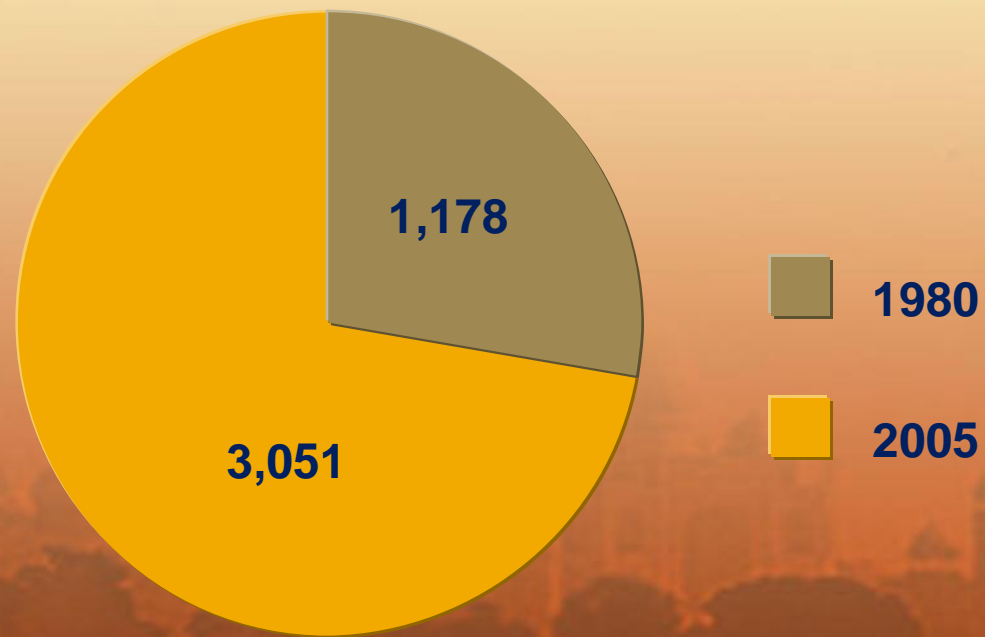


1% of the people have  
been crossing poverty  
line each year for 25  
years

Equals ~ 200m

# Per capita income gains

US\$ ppp



Source: World Bank

**India is now the 4th largest economy**

**India will overtake Japan  
between 2012 and 2014  
to become  
the 3rd largest economy  
in the world!**



**The India model is unique**

## Drivers of growth

### India

- Domestic

### East and S.E. Asia

- Exports

## Drivers of growth

### India

- Domestic
- Services

### East and S.E. Asia

- Exports
- Manufacturing

## Drivers of growth

### India

- Domestic
- Services
- Consumption

### East and S.E. Asia

- Exports
- Manufacturing
- Investment

## Drivers of growth

### India

- Domestic
- Services
- Consumption
- High tech, capital intensive industry

### East and S.E. Asia

- Exports
- Manufacturing
- Investment
- Low tech, labour intensive industry

## Implications of India model

### 'Domestically led' means:

- Insulation from global downturns
- Less volatility
- Overcoming the global crisis faster

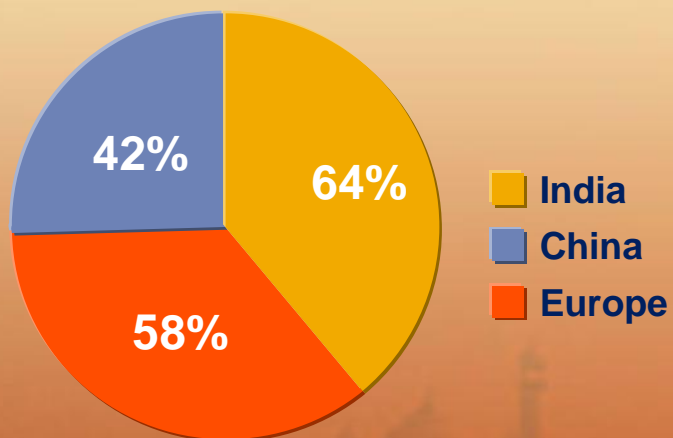


Had India's GDP growth continued at the pre-1980 level, Indian incomes would only have reached American capita income levels by 2250.

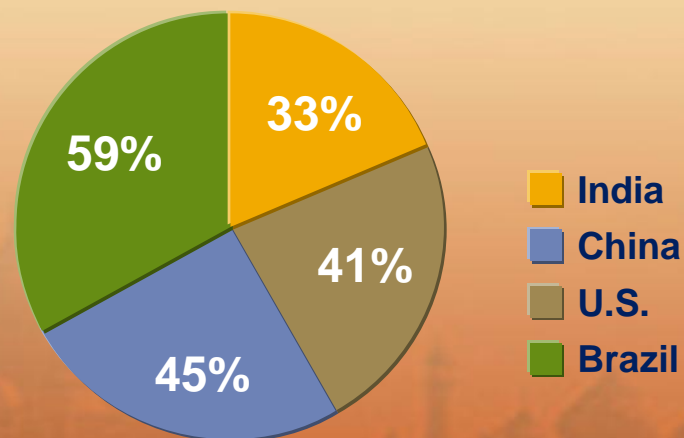
**At the current rate of growth India will reach it by 2066!**

## Implication of India model – Consumption led

**People Friendly:  
Consumption as % of GDP**



**People Friendly, Less inequality:  
Gini Index**



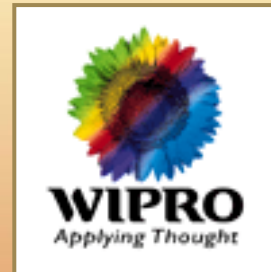
**Will India become the next big consuming economy after the U.S.?**

## **Reasons for success**

**India's success is market-led  
whereas China's is state induced**

**The entrepreneur is at the  
centre of the Indian model**

## Rise of globally competitive Indian companies



## **India has a vibrant private space**

- 100 Indian Companies have market cap of US\$ 1bn



## **India has a vibrant private space**

- 100 Indian Companies have market cap of US\$ 1bn
- 1,000 Indian Companies have received foreign institutional investment

## **India has a vibrant private space**

- 100 Indian Companies have market cap of US\$ 1bn
- 1,000 Indian Companies have received foreign institutional investment
- 125 Fortune 500 companies have R&D bases in India

## **India has a vibrant private space**

- 100 Indian Companies have market cap of US\$ 1bn
- 1,000 Indian Companies have received foreign institutional investment
- 125 Fortune 500 companies have R&D bases in India
- 390 Fortune 500 companies have outsourced software development to India

## India has a vibrant private space

- 100 Indian Companies have market cap of US\$ 1bn
- 1,000 Indian Companies have received foreign institutional investment
- 125 Fortune 500 companies have R&D bases in India
- 390 Fortune 500 companies have outsourced software development to India
- 2% bad loans in Indian banks (v~20% in China)

## India has a vibrant private space

- 100 Indian Companies have market cap of US\$ 1bn
- 1,000 Indian Companies have received foreign institutional investment
- 125 Fortune 500 companies have R&D bases in India
- 390 Fortune 500 companies have outsourced software development to India
- 2% bad loans in Indian banks (v~20% in China)
- 80% credit goes to private sector (v~10% in China)

## Other strengths

### We have

- Dynamic democracy with honest elections
- Free, lively active media and press
- English speaking trained educated large population
- Bureaucracy that gives a strong backbone
- Low cost labor
- An independent Judiciary
- Young society with a median age under 30.
- World class institutions

## Understanding India's economic success

- Mental revolution among the young
- 'I want to be Bilgay'
- Focus on mercantilism in society
- Encouragement of entrepreneurship
- 180 TV channels; 65 news channels
- The rise of Hinglish



## Understanding India's economic success

- Remarkable --every government has reformed (slowly) since 1991
- Even slow reforms add up
- 65 countries have done the same reforms – why did India become the second fastest in the world?
- Little appreciated fact – rule of law and independent judiciary
- Population young
- Strength of manpower

## Key reforms

- Opened economy to trade and investment
- Dismantled controls
- Lowered tariffs
- Dropped tax rates
- Broke public sector monopolies



Microsoft

Global Support Centre

Employee of the Month

## Where are we today?

- Growth fell to 6.7% in 08-09; 7% in 09-10
- Pain has been less than in China
- Competitive companies have recovered faster.
- Risk of protectionism has receded
- Recovery has been ahead of the world
- Greater inclusivity in growth
- All sectors of economy being equally strengthened

# India Today

- Sixth in the world and the only developing country to design, manufacture and launch her own satellites.
- 165 institutions engaged in genetic engineering research (breakup: 55 in transgenics, 25 in therapeutics and 85 in basic research)
- Among the top five world governments funding research & development in neglected diseases
- Particular focus on diseases like leprosy and dengue fever.
- R&D spending at India's top 25 drug companies soared 17 per cent in 2008-2009 (Pharmabiz)
- Ranbaxy topped the list with R&D investment of US\$ 100 million, up 2.4 percent from the previous year.
- Dr Reddy's filed 23 Abbreviated New Drug Applications (ANDAs) during 2008-09 & launched 16 new products in the US market.
- Orchid filed 58 ANDAs, Lupin filed 28, Glenmark 22, Matrix 20, Aurobindo Pharma 19, Cadila Healthcare 19, Alembic 8 and Ranbaxy 6.
- India is one of the few countries that have developed stem cell lines as part of the stem cell network.
- In the pharmaceutical sector, India has the largest number of FDA-approved plants after the US.
- Indian Institute of Technology (IIT), Chennai, develops world's first nano-material-based water purifier.
- Intel's R&D lab in Bangalore has made significant contribution to development of the concept version of the 48-core Intel processor—the Single-chip Cloud Computer (SCC).

# **INDO-US BILATERAL ENVIRONMENT**

- **Current Indo-US relations blessed with very conducive environment.**
- **Sustained by a strong political will on both sides to realize the next steps in strategic partnership,**
- **Supported by newer opportunities created by a rapidly developing Indian economy.**
- **Further enriched by vitality of private partnerships**
- **Cemented by the warmth of ties between our people.**

## **Current Bilateral Status**

- **Bilateral trade already doubled to over \$ 44 billion over five years**
- **US exports to India trebled in last five years**
- **US is one of India's leading trade partners**
- **USA is the largest source of technology collaborations for Indian companies**
- **USA is a leading source of foreign investment**

# Growing Bilateral Investments

- Steady increase in Indian investments into the United States.
- In 2007-08 alone, about \$ 10.25 billion invested by Indian companies in the US
- Created many new jobs in the US
- Significant part of Indian investment is in the manufacturing sector
- A demonstration of India's confidence in industrial future of US
- **As Indian economy grows, we hope to become amongst the US's top ten trading partners in the medium term.**

# Where are we going?

- Post recovery is 7.5 % – 8.5 % GDP growth
- Democracy will not permit more than 8%
- 1.5% population growth
- Demographic dividend – growth will continue beyond China's

# India's New Opportunities - 2020

40 million  
new jobs



200 billion  
annual  
revenue

**“BY 2010 INDIA WILL HAVE WORLD’S LARGEST  
NUMBER OF ENGLISH SPEAKERS”**

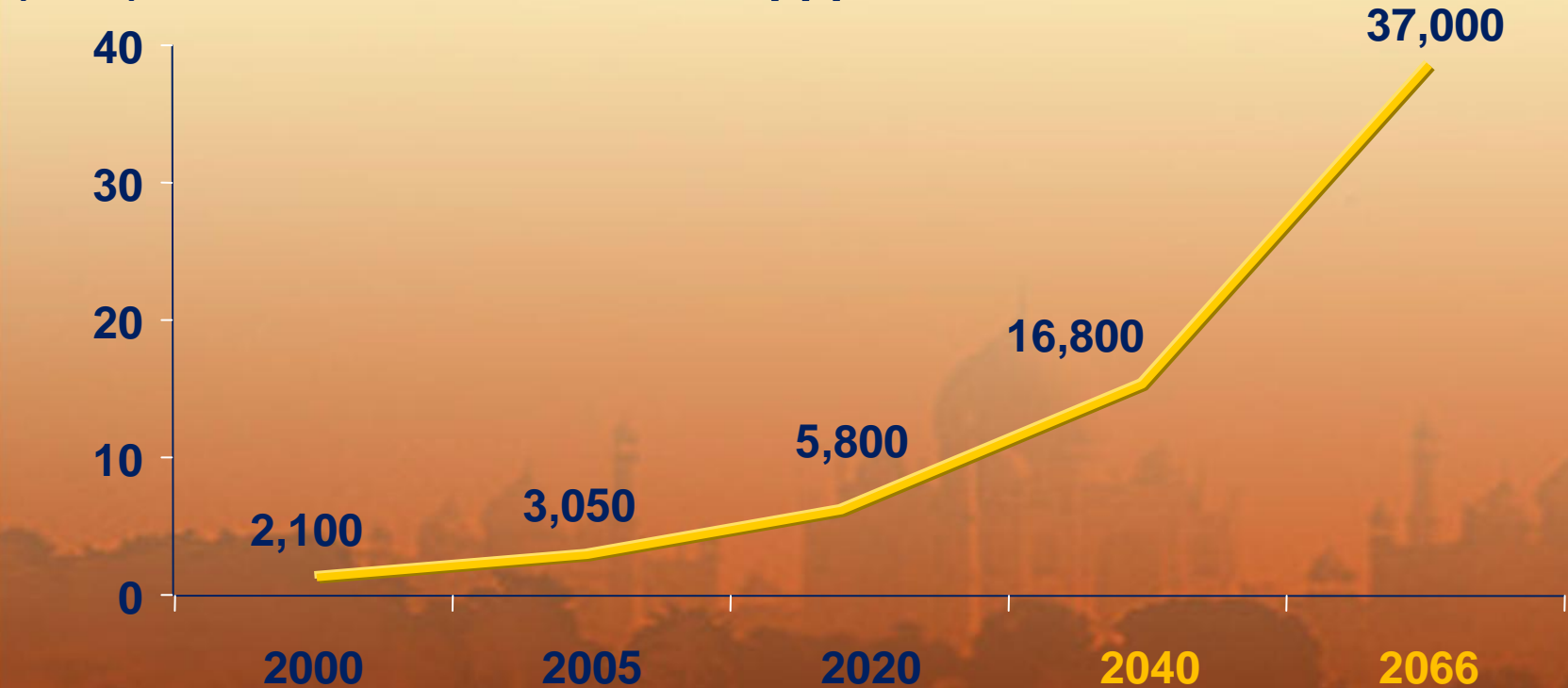
**“WHEN 300 MILLION INDIANS SPEAK A WORD IN A  
CERTAIN WAY, THAT WILL BE THE WAY TO SPEAK  
IT.”**

**Professor David Crystal**  
Cambridge Encyclopedia of the English Language

# Per capita income

(\$000)

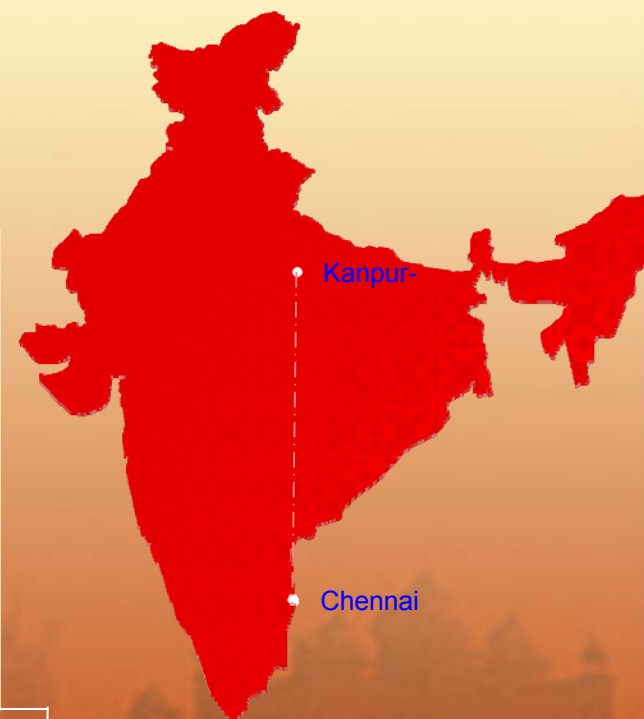
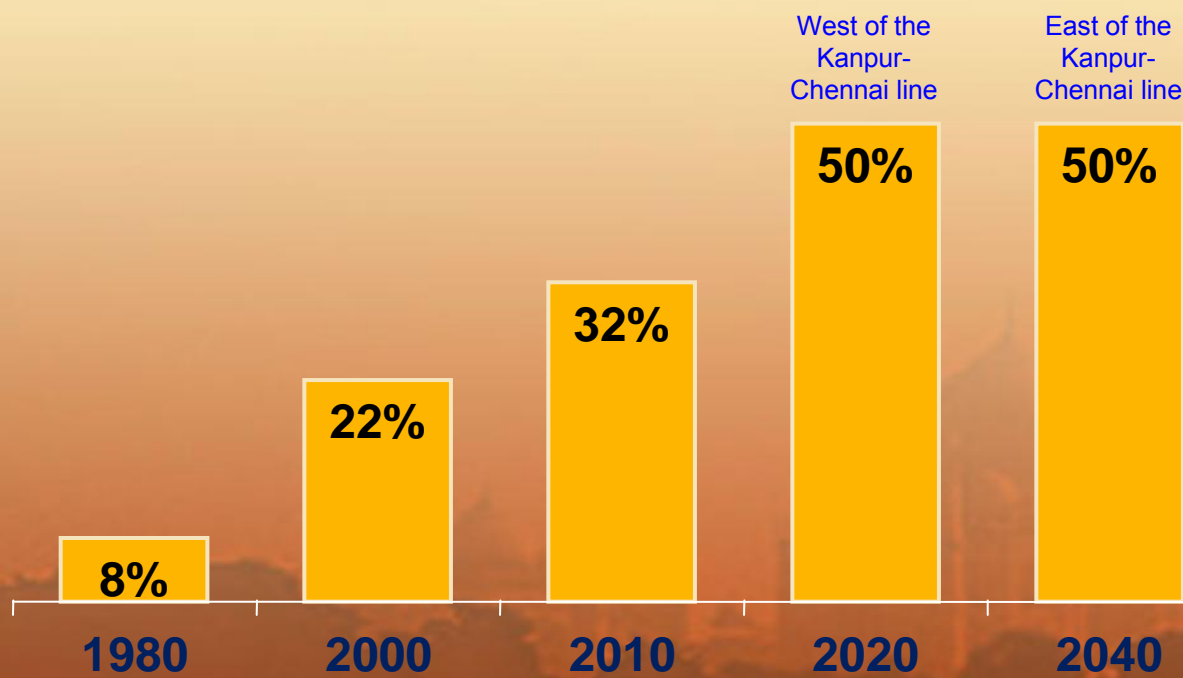
On a ppp basis



## Convergence in the 21st century

- Why convergence is intuitive?
- Convergence didn't happen in the 20th century because the world was closed
- Shift to the East
- Returning to a world of equality prior to 1750
- When China and India accounted for 45% of world GDP

# India will gradually turn middle-class





**Identifying Sectors of Convergence  
Between India and Utah**

# Utah and its economy

- **Technology and education are two of the key pillars of Utah's economy**
- **Defense, mining, steel, and petroleum-refining industries lead the economic surge**
- **Tourism, recreation light manufacturing, and the service industries have recently emerged as economic pillars.**

# **Areas of Convergence**

**Infrastructure**

**Education**

**Healthcare**

**Biotechnology & pharmaceutical industry**

**Technology**

**High Technology**

**Innovation**

**Energy & Alternative Energy**

## **Opportunities for Cooperation : Prioritizing Infrastructure Development**

- **Almost every facet of physical and social infrastructure in India is aging.**
- **Need for roads, airports, seaports, & generate electricity to power energy-hungry nation.**
- **Estimates of investment required during the next few years: 400-500 billion dollars.**
- **Population increasing at 18 million/ year, India adds over 85 million to its ranks (higher than the entire population of Germany) between 2004 to 2009, India will add another 90 million between 2009 to 2014.**
- **Needs : To add more than 4 million hospital beds (needing a minimum investment of over \$300 billion) by 2020 for estimated 1.32 billion population.**
- **To triple its current capacity in higher education (needing at least \$100 billion in investment).**
- **To train or retrain roughly 450 million adults over the next 10 years**
- **India needs to create same quantum of infrastructure & jobs in 5 or 10 years ;developed nations like U.S.A., Germany, France, and U.K. did over a century.**
- **US \$ 377 billion being allocated for infrastructure development over 5 years**

# **Opportunities for Cooperation : Education**

- **India a knowledge economy by 2020: knowledge commission to work details**
- **Foreign Educational Institution Bill 2010 approved allowing foreign education providers to set up campuses in India and offer degrees.**
- **86th constitutional amendment has made elementary education, a fundamental right for children between the age group of 6 to 14.**
- **Improve standards of primary schools**
- **Higher education system will receive impetus: setting up of eight new Indian Institutes of Technology (IITs), six Indian Institute of Management (IIMs) and five new Indian Institutes of Science (IISc) in various states.**
- **Government to establish 14 universities with world-class standards; additional 16 universities in states which do not have a Central University.**
- **Enable vocational education to school dropouts and others**

## **Opportunities for Cooperation : Universities Gaining early mover advantages**

- **Harvard Business School starting executive education program in 2011, to manage hyper growth in corporate sector**
- **France-based ESCP-EAP European School of Management plans executive education programs for corporates**
- **US-based ESI International, a provider of consulting and training solutions, entering corporate training market.**
- **US-based Georgia Institute of Technology to begin work on a research centre in Hyderabad- the latest in a series of initiatives by marquee names.**
- **Emaar Education to set up private university in collaboration with the Gamber Education Foundation.**
- **Punjab International University being set up near Ludhiana in collaboration with US-based Carnegie Mellon University.**

## **Opportunities for Cooperation : Health Care & Pharmaceutical Industry**

**No government in the world can take on the sole responsibility of providing easily accessible, universally affordable, appropriate quality, and accountable healthcare and education to such a large population as India's.**

**Private investment not only from within India but from other sources in the world will be welcome to augment the resources being spent by the Indian government.**

**Foreign investment recipient India is one of the best and safest countries.**

## **Opportunities for Cooperation : Biotechnology & Pharmaceuticals Sector**

- **Biotechnology sector is one of the fastest growing knowledge-based sectors in India**
- **India's current share of global market: two %**
- **Comparative advantages: research & development facilities, knowledge, skills, and cost effectiveness**
- **Several of India's largest companies have acquired US companies: immense potential**
- **Biotechnology industry grown by 18 % during 2008-09, earning revenues of US\$ 2.67 billion.**
- **Biopharma segment continues to be largest share of the biotech industry's revenues.**
- **In 2008-09, biopharma sector made up 65% share of total with revenues of US\$ 1.73 billion.**
- **Bioservices sector registered a 31 per cent growth in 2008-2009**
- **Bioagri sector grew by 24 per cent to reach US\$ 329.33 million in 2008-2009**
- **Bioindustrial sector grew by 16 per cent to reach US\$ 105.34 million in 2008-2009**
- **Bioinformatics sector grew by 15 per cent to touch US\$ 48.48 million in 2008-09**
- **India is ranked among the top 12 biotech destinations in the world**
- **India is third biggest in Asia-Pacific in terms of the number of biotech companies (KPMG)**

## **Opportunities for Cooperation : Pharmaceuticals & R&D**

- **Important clinical trial destination;**
- **Huge base of talented, skilled and cost-competitive manpower, well-developed scientific infrastructure**
- **Global clinical research outsourcing market is projected to touch US\$ 23 billion by 2011**
- **India estimated to corner 15 per cent of this market in two years (KPMG)**
- **Industry-sponsored Phase II, Phase III clinical trial study sites grow by 116 % in 2009-2010**
- **India moves from rank 18 to 12 among 60 most active countries ( FICCI and (E&Y) study**
- **India participates in 7% of global Phase III trials and 3.2%in Phase II trials with industry-sponsored trials**
- **New Delhi-based Stem Cell Global Foundation estimates business growing at compound annual growth of 15% and to exceed US\$ 450 million in 2010-11**
- **India one of elite group of six countries which have decoded human genome indigenously  
Make possible designing drugs accounting for specific characteristics of Indian physiology**
- **India globally recognized : manufacturing economical, high quality bulk drugs, formulations**
- **India has great potential to become a leading global player in biotechnology.**

# Opportunities for Cooperation : Technology

- Era of US sanctions on high-tech exports to India over.
- Cooperation in diverse areas such as space sciences, materials science, high energy physics, nano-technology, vaccine action program, bio-technology, ongoing
- India-US high technology trade grown steadily: 45 percent of US exports.
- Over 2005-2010 US exports to India have increased by 200%
- US FDI in India has doubled.
- USTDA funding for activities in India grew by 150% in last one year.
- E.g. USTDA cooperation with India: ppp sponsored by USTDA it has facilitated aviation capacity growth & new air traffic management technologies;
- Also a cold chain program in food security
- Standards and Conformity assessment cooperation program to bring in more transparent and streamlined standards.

## **Opportunities for Cooperation :High Technology**

- **India-US High Technology Cooperation Group (HTCG) to review, guide bilateral cooperation & Commerce started November 2002**
- **GE Hitachi Nuclear Energy signed contract with Larsen & Toubro Ltd: help build an advanced Boiling Water Reactor Power station: follows from the 123 Agreement between USA and India signed October 2008.**
- **The brain-drain to the United States, especially of India's IIT graduates, which was earlier considered problematic, is now being looked at as "brain-gain."**
- **Several returned Indians from overseas have given a tremendous boost to high-technology in India**
- **In California's Silicon Valley, many are helping forge high-technology bridges between the United States and India.**

# **Opportunities for Cooperation : Innovation**

- **Preferred destination and a hub for IT**
- **Research and development hub for many global companies**
- **Strength: India's vast pool of talented and skilled manpower.**
- **India is expected to strengthen its position in the innovation space as it is targeting to increase its R&D spending to 2% of the GDP by 2012 under the 11th Five-Year-Plan (Evalueserve)**
- **India is ranked at 49th position in The Global Competitiveness Report 2009-2010; the rankings are calculated from both public data and the Executive Opinion Survey, a comprehensive annual survey conducted by the World Economic Forum together with its Partner Institutes.**
- **India aims at elevating training & education of quality talent to strategic position.**

## **Opportunities for Cooperation : Energy & Alternative Energy**

- **Doubled allocation to power sector to US\$1102 million**
- **61 percent increased allocation for renewable energy**
- **Solar energy allocated US\$ 215 million**
- **US\$ 107 million allocated for solar and hydro projects for Ladakh region alone**
- **India 6th largest energy consumer, consumes 3.4% of global energy used**
- **Government target: add 78,000 MW of installed generation capacity by 2012**
- **India's unequivocally committed to curb pollution**
- **Creation of a National Clean Energy Fund**
- **Energy is an area where we could definitely partner with the United States.**
- **Tremendous opportunity for US companies to help India realize her plans: selling technology including solar power, energy-efficient building materials, clean coal, wind power, and in the auto industry.**

## Elephant and not Tiger

- India got democracy before capitalism and this has made all the difference
- It is slower than China but its path is surer
- However, an elephant at 8% growth is a formidable beast
- We have waited 3000 years for this moment
- India is more likely to preserve its way of life

# The Wise Elephant

**A convergence of all these factors makes us confident we will be able to convert the demographic deluge into a demographic dividend. India will continue shining**

