

INDIA, DIVERSITY, ECONOMIC GROWTH, CHALLENGES

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INDIA

Diversity

- **Natural diversity**
 - From Himalayas to Cape Comorin
 - Fertile riverine plains, irrigated regions; arid rain dependent areas.
- **Religious diversity**
- **Languages**
- **Social structure: castes**

INDIA

Diversity

➤ Economic diversity



INDIA

Economic growth

1960 – 1980 : socialism (regulation; reservation of some sectors for small firms and of many sectors for national firms; “license Raj”; import barriers; strict controls on foreign capital.)

1991 – present : capitalism (deregulation, end of reservation and licensing of investment, increasing openness for foreign trade and foreign direct investment; but controls on foreign capital remain.)

Changes were gradual.

INDIA

Economic growth

Results: accelerating growth

Average annual growth of per capita income	1960-80	1980-2000	2000-08
India	1.2%	3.5%	5.9%
China	2.9%	8.5%	9.5%
United States	2,4%	2.2%	1.1%

INDIA

Economic growth

Results: closing the gap with high-income countries?

Per capita income (at PPP) as % of United States	1980	2008
India	3.4%	6.4%
China	2.1%	12.9%

INDIA

Challenges

(1) As India's per capita income remains rather low and incomes are unevenly distributed, poverty remains widespread.

One problem: low rate of job creation in the organized sector.

How to redistribute the benefits of growth to low income segments of the population?

How to alleviate extreme poverty?

(2) Delivery of public services by the government is weak (education, health, electricity ...)

INDIA

Challenges

(3) India has been cautious on integrating in the world economy. Should the country increase its integration in the world economy?

- Reducing barriers to imports?**
- Reducing controls on foreign capital flows (not only on FDI, but also on foreign borrowing, portfolio investment)?**