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## At home abroad

Even in a season of domestic disturbance, we should pay attention to India's engagement with a fast-changing world, says **Suman Bery**

For my entire time in the United States, from 1970 till 2000, Anthony Lewis was a columnist for *The New York Times*, and was a proud emblem of East Coast liberal thinking. At the beginning of the period, he was the *Times*' bureau chief in London; while there, he titled his column "At home abroad". On his return to the US in the early 1970s he rechristened it "Abroad at home", the title it retained till his retirement from the *Times* in 2001.

For me, this month's column marks the reverse journey. I began writing for *Business Standard* in 2003, two years after my repatriation to India. This is my first filing from my new perch in the Netherlands, where I have recently assumed the position of chief economist at the global headquarters of Royal Dutch Shell at The Hague. As I write, the results of India's state Assembly elections have become known; by the time this column appears in print, Parliament will have reconvened and the Economic Survey will be about to be tabled. In a political discourse dominated by domestic issues, this may seem an inopportune time to focus on India's position in the world.

I disagree. The world of the next 20 years is rapidly coming into focus, where India will be an important, though not dominant, player. While in no large democracy does foreign policy drive the domestic political agenda, the associated opportunities and pressures facing India deserve a more sustained airing and debate in the elite press than they currently receive.

By way of immediate example, at the end of March India will play host to the leaders of BRICS countries – Brazil, Russia, India, China and South Africa – at their annual summit, following earlier meetings in Russia, Brazil and China. There has been relatively little public discussion on what India's agenda and aspirations are for this meeting – and whether there is to be any discussion on important flashpoints in the world, particularly Syria and Iran, or the issues of resource management and resource security (food, oil and minerals) that potentially provide an important area of com-

mon interest among the five countries, as suppliers and as markets.

The spring meetings of the World Bank and the International Monetary Fund (IMF) in Washington follow soon thereafter, in April. There, the focus will be economic rather than diplomatic, with the finance ministers in the lead; but the boundaries between the two are increasingly blurred, not least because the G20 leaders' process fuses the two spheres. Issues on the agenda include supplementary resources for the IMF, in part to act as a firebreak against contagion from the euro zone. Work will also begin on the revision of the quota formula of the IMF, which is returning to centre stage after being considered marginal for world economic affairs. The meetings should also ratify the selection of a new World Bank president. The year will continue with the G20 leaders in Mexico, the East Asian Summit, Rio+20 on the environment and the like.

Three issues arise. One, how engaged should India aim to be in these global debates? Two, which global issues matter most for India, and why? And three, what capacity does India need to develop at least to punch at its weight, let alone above it?

My own view on these matters has been heavily influenced by the Prem Bhatia memorial lecture delivered by National Security Advisor Shivshankar Menon in August 2011. It also draws upon global growth projections developed for a study of the major Asian economies in 2030, under preparation by the Asian Development Bank Institute (ADBI) with which I have been involved. Finally, before my departure from Delhi, I was fortunate to be part of a working group on global economic governance under the auspices of the Centre for Energy, Environment and Water.

In his speech, the national security advisor was crystal clear: on what the fundamental driver of India's global engagement should be over the next generation. He said: "Our primary task now and for the foreseeable future is to transform and improve

the life of the unacceptably large number of our compatriots who live in poverty, with disease, hunger and illiteracy as their companions in life. This is our overriding priority, and must be the goal of our internal and external security policies." He might add that India's capacity to maintain strategic autonomy and to project power in pursuit of this goal is itself determined by the country's economic success.

The ADBI work is broadly consistent with similar exercises conducted by a number of other organisations. These various analyses (which could all be wrong) suggest that the global economy of the future will be fundamentally different from what we have experienced in the last 60 years. It will be shaped by three important drivers: the halting recovery of rich countries from the present crisis, compounded by their ageing; the rebalancing of Chinese growth away from exports and investment towards domestic consumption; and the rise of the middle class in emerging markets throughout the world, most of all in Asia. The locomotive of global demand will increasingly be the world's poorer parts, while rising wages in China will mean that it may no longer choose to compete in serving these markets. In 20 years, India will be roughly where China is today in terms of per capita income, while China could be approaching the current income levels of members of the Organisation for Economic Co-operation and Development.

What are the implications? I see three. No economy of India's scale can modernise in the absence of a benign global environment. The rebalancing of global economic power will put a tremendous strain on the existing institutions of global economic and political governance – strains that are already visible in the World Trade Organisation and the IMF. India needs to be a proactive member of coalitions interested in both upholding and modernising that order. Second, India's bilateral economic relationship with China could quickly move from competitive to complementary. This should be encouraged rather than discouraged. Third, India needs to learn from other successful trading nations such as Japan, Canada and Australia on how to tune foreign policy to meet long-term economic goals. This is an even more challenging task for India as, unlike those countries, it tries to make its way outside any system of security alliances.

The author is chief economist, Shell  
Suman.Bery@shell.com