

EMBARGOED UNTIL AFTER DELIVERY
PLEASE CHECK AGAINST DELIVERY

SPEECH BY MR THARMAN SHANMUGARATNAM, MINISTER FOR EDUCATION, AT THE BUSINESS TIMES-NTU COMPETITIVENESS RANKING FOR 35 INDIAN STATES AND UNION TERRITORIES CONFERENCE ON WEDNESDAY, 19 OCTOBER 2005, AT 9.00 AM AT THE RITZ CARLTON HOTEL

Dr Su Guaning, President, Nanyang Technological University

Mr Vikram Khanna, Associate Editor, The Business Times

Ms Chong Siak Ching, President and CEO of Ascendas

Associate Professor Tan Khee Giap, Nanyang Technological University

Distinguished Guests

Good morning

INTRODUCTION: INDIA'S DIVERSITY

1. I am very pleased to join you today for this inaugural Conference on the competitiveness of Indian states. I commend the Business Times (BT) and the Nanyang Technological University (NTU) for getting together to organise this useful and timely conference.

2. It is India season, around the world. The sustained India buzz in the media is fuelling interest among businesses around the world in the promise of a huge new marketplace. And around the world, through the news stories and on TV, people are seeing glimpses of the new India – an India whose IT boom has nourished the growth of little Americas in its suburbs or inside the campuses of its largest IT companies, and an India where young, smart, English-speaking software engineers are taking away jobs from the rest of the world.

3. But India is not a seasonal story. Its emergence, with China, will be a central theme of the 21st century.

4. And India is not just about Bangalore, or about IT services. It is about emergent knowledge services in a whole swathe of industries. It is also about real competencies in export manufacturing, for example in auto parts.

5. Neither is India all about young, smart, English-speaking geeks. Its educational landscape spans a far wider spectrum of standards than anywhere else in Asia - probably anywhere else in the world. From the IITs and IIMs which simply breathe excellence and have more competitive entry standards than the best international institutions on the one hand, to the large numbers of quite unemployable graduates that are churned out from the education system at large each year. Or from the youth you meet in every city with an intense optimism for the future and who see new heroes in people like Nandan Nilekani (CEO, Infosys), Ramalinga Raju (Chairman, Satyam) and Lakshmi Narayanan (CEO, Cognizant), to the huge mass of undereducated young people who do not complete primary school. Less than 60% of each cohort completes primary school in India today.

6. When Indian leaders speak of the irreversibility of economic reform, I do not think they are exaggerating. The Indian people are becoming impatient for prosperity. But this impatience for a better life does not immediately translate into good governance by every state government or city authority.

7. India is therefore a story of breadth, diversity and transformation. A diversity not only of languages and cultures, but of cities and states with widely varying economic policies and governance capabilities, and a diversity of social realities - and all this going through change and transformation on an unprecedented scale.

8. Diversity and transformation make India a complex place. It requires much deeper study and understanding than most countries - not just by business people with an interest in the opportunities that India presents, but anyone wanting to appreciate the emergence of a huge new power that is reshaping the world. We have to study India, visit it often, listen to its leaders and managers, even listen to its principals and young people in schools, get to know its people.

9. That's why today's conference is useful. It explores the diversity of economic opportunities that one finds across India. It is part of the 'India intelligence' that is being built up in Singapore.

EMERGENT OPPORTUNITIES IN INDIA

10. Diversity also means that the macro indicators that we are all familiar with tell only a part of the Indian story. We know that India was ranked very poorly in the latest World Bank and IFC survey on Ease of Doing Business. We also know how India has hugely underinvested in roads and other infrastructure.

11. But the micro is as important as the macro in a rapidly transforming economy. Competition between cities and states, which was once a Chinese growth story, is now an Indian growth story. Competition between cities and states is spurring the growth of the Indian economy.

12. I looked at the Asia Research Centre (ARC) report's ranking of the Indian states. The most competitive states are also a story of cities. The top states are home to Mumbai, Delhi, Chennai, Bangalore and Hyderabad. In some respects, these cities are driving the states. The competition between cities to attract investments and bring together the brightest and most energetic people into top universities, business parks and enterprises is driving growth.

13. But the India growth engine is spreading beyond the top cities. It is now also about emergent cities, like Pune, Jaipur, Ahmedabad, Chandigarh, Trivandrum and Coimbatore. The Mumbai-Pune region is becoming an engine of growth for the state of Maharashtra. The Delhi region is seeing its most rapid growth in Gurgaon and Noida.

14. In fact, the pace of growth in the emerging, second tier cities now far exceeds that in India's major metropolitan centres. Industry sources say local government is getting more responsive in some of these smaller cities. Analysts say that distinctions in aspirations, between 'second tier city urbanites' and 'metro urbanites' are now blurring. In the auto industry, premium car makers like BMW, Audi and Daimler-Chrysler are seeing faster growth in markets like Ludhiana and Coimbatore than in the major metros. And emerging cities like Pune and Jaipur are being viewed by a growing number of talented young people as more liveable

and a better place to raise their children, yet close enough to the megacities.

15. New regions are coming up too. Gujarat, home of India's booming oil and gas industry, and the seedbed of countless Indian entrepreneurs around the world, is another industrial powerhouse. Punjab, one of the richest states in India, has a thriving manufacturing sector. With strong commercial cultures and a growing middle class with increasing spending power, Punjab and Gujarat are powering growth in West India. Chandigarh and Ahmedabad are also emerging as new centres for IT-enabled services, or new Silicon Valleys in India.

16. In the East, West Bengal and the city of Kolkata, is being watched closely. Investors are watching if its communist government will successfully push through its bold economic reforms.

17. Our businesses should therefore not focus only on the cities that are traditional investment destinations, any more than they should focus only on Beijing, Shanghai, Guangzhou and Shenzhen in China. We would be wise to look at opportunities in India holistically.

SINGAPORE AS CENTRE OF INDIA BUSINESS INTELLIGENCE

18. While there is rising awareness that opportunities abound in India, there is still a huge knowledge gap. Investors perceive India as a market of big opportunities but many unknowns.

19. We have to bridge this knowledge gap, and keep a sustained stream of information and intelligence on India going to the business community, in Singapore and internationally.

20. Singapore is well placed to be the hub for knowledge and market intelligence on India. We aim to be the leading centre for intelligence on India, outside of India. In developing deep expertise and knowledge of India, Singapore can advance business links not only between India and Singapore, but between India and East Asia.

21. We have some advantages to build on - five hours or less by flight to the major cities in India, culturally proximate, and now advantaged by the CECA. Some Indians now refer to Singapore as "India's nicest city".

22. We are also developing a network of institutions in the private and public sectors that can grow our expertise on India. They cover media companies, research institutes, financial institutions and universities doing analysis and research work on India. They also include IE Singapore, our business chambers and Network India, which bring together and assist businesses with an interest in India.

23. First, the media. They play a key role. The Business Times (BT) has strong in-house capabilities relating to India and is expanding its network of correspondents in India. I am told seven Indian languages can be spoken in the BT newsroom - I presume at the same time. The Straits Times has a full-fledged bureau in New Delhi. Both the Straits Times and BT provide extensive coverage on India. BT dedicates a full page, five days a week to news coverage on India. No other national newspaper outside India does this. Our broadcast media, especially CNA, brings India into our living rooms.

24. Second, our think-tanks are off to a good start, in delving deeper into how and where India ticks. The Institute of South Asian Studies (ISAS), housed in NUS, has developed links to Indian research institutions. It is also attracting senior Indian experts as visiting fellows, and is generating a stream of papers. The Asia Research Centre (ARC) housed in NTU has developed a niche in regional competitiveness study. NTU also hosts an India Strategy Group. ISEAS and IDSS, which have both established an international reputation, are also doing research relating to India. And the Lee Kuan Yew School of Public Policy at NUS, in its first year, is already establishing links with leading Indian public policy institutions.

25. Our think-tanks have the advantage of being neutral, and English speaking. Together with our universities, they bring together expertise not only on India but China and Southeast Asia, and the Middle East. This pooling of expertise and intelligence on each of these Asian growth regions will bring some synergy. It will allow lessons to be derived from the experience of growth and governance in one region to be used to pose questions for another. The mix of scholars, of different nationalities and areas of expertise will itself, I am sure, have benefits.

26. Our think-tanks should build partnerships not only within academia, but also with public sector institutions, the business chambers and

private sector companies, to provide analyses and papers that can help to guide business decision-making. They should also link up with Indian partners who keep a close watch of ground developments.

27. Third, global financial institutions are increasingly basing India-related work in Singapore. MAS will develop this segment of India intelligence proactively, as part of our effort to develop Singapore as a funding centre for Indian companies. JP Morgan and Citigroup cover India from Singapore, using Indian expatriate specialists. Deutschebank and Aberdeen manage fund investments in India from Singapore. Singapore legal, accounting and consulting firms are linking up with India to help Singapore businesses that venture into India.

28. A fourth, important resource is the large community of Indians working in Singapore. The IIM alumni in Singapore, about 500 strong, whom I met a couple of months back, may be the largest concentration of IIM alumni in any city outside India. They have both expertise and a web of connections to India.

29. Fifth, our business chambers themselves are developing their networks and intelligence on India, led by the Singapore Indian Chamber of Commerce and Industry (SICCI). Our chambers have linked up with the leading Indian business chambers such as the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry.

INDIA AND SINGAPORE'S HUMAN CONNECTIVITY

30. Let me conclude. Singapore and India have always had a close relationship. The CECA has added momentum to the already rapid growth of trade, as well as to the movement of people between the two countries - entrepreneurs, scientists and technologists, students, tourists and indeed politicians. In many ways Singapore is becoming an extension of India, a short hop from Indian cities, and a place that Indians regard as home.

31. It is this human connectivity, and the growing intellectual, cultural and political cross-currents between India and Singapore which will ultimately grow the economic connectivity between the two countries. It is what gives us our sense of familiarity and proximity to each other, and what creates the trust that underpins the growth in our economic

relationships over the long haul. This is why I spent time with a group of Singapore educationists last month visiting Indian schools and tertiary institutions so as to promote tie-ups between Singapore and Indian schools. And the tie-ups will bring our young people together, help them appreciate how similar their aspirations ultimately are and help them develop new, useful channels of connectivity between Singapore and India.

32. We must push ahead to build knowledge and intelligence on India. We will be the leading centre outside India for intelligence on political, business and market developments in India. We will serve to deepen the business networks, comprising both local and global companies, that will tie Singapore and East Asia closer to India. It will serve both India and East Asia well.
