

# A new era of engagement

By **RICHARD LAMBERT**

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**RICHARD LAMBERT** graduated in history from Balliol College, Oxford. He began his career at the Financial Times in 1966, editing the Lex column in the 1970s before becoming financial editor in 1979. After a spell as New York Bureau Chief he became Editor of the paper in 1991, a post he held for ten years. A member of the Bank of England's Monetary Policy Committee from 2003 until 2006, he took up the post of Director-General of the CBI in July the same year.

**W**e welcome the State Visit of Her Excellency the Indian President Mrs Pratibha Patil later this month, it will signify a new stage in the relationship between India and the UK, and point the way to fresh dimensions for its future.

The Prime Ministers of the two countries agreed in 2005 that the relationship had “never been better”. But that was just as the real Indian growth story was being ignited. The sustained annual GDP growth of 9 per cent and above was still to come. And with it, the surge of Indian investment in the UK – taking it in 2008/09 to the rank of the second biggest overseas investor in the UK after the US and, just as important, the second highest international creator of jobs in the UK. Along with this investment, bilateral trade finally climbed into double billion (bn) pound figures and in 2008 stood at some £12 bn. There is also good news in terms of cultural and social relations, with thousands of British Non Residents leading the British business charge into India. Our relationship benefits from common language, democracy and shared professional traditions.

So there is a good story to tell. When I last visited India, just before the global recession hit, there was a strong sense of excitement about what had been achieved so far, but perhaps even stronger were the ambitions for the untapped potential of the relationship. I was part of a delegation which was all about launching new Indo-British initiatives, including starting up CBI representation in India. We were clearly right to focus new energy on India then, but an awful lot of muddy water has flowed under the bridge since – should we do the same now? I believe the answer should be a resounding yes, and I want to look at the reasons why.

In many ways this year of global economic turmoil has been one in which India has demonstrated that it has moved into a new era of economic and political development. Let me be clear: I do not underestimate the damage done by the global recession to India's efforts to lift out of poverty the hundreds of millions of its citizens for whom it remains the daily reality. After all, a drop in annual GDP growth from 9 to 6 per cent represents a significant setback to poverty alleviation in India, even though such figures are the stuff of dreams for developed economies. Nor do I underestimate the internal and external challenges such as governance, food supply and energy and hard security which the country faces.

Nevertheless, the Indian story over the last year carries a positive message for its future. First, in early January 2009, the biggest corporate scandal in Indian history broke. The Chairman of the family-run Satyam, hitherto one of India's most admired and apparently successful companies, admitted to long-running malpractice. Thousands of jobs, hundreds of millions of dollars of contracts, and the reputation of India's IT industry were on the line. Just nine months later, the drama is history. We saw a speedy and well-judged response from the Indian Government, which appointed an independent board that in turn found a buyer before the company failed, and so preserved jobs at an already difficult time, and from clients and a work-force who kept faith with the company. India's IT industry, having taken a hit from America's down-turn is looking at a solid year ahead – the Satyam scandal is already a case-history.

The second Indian milestone of 2009 is rather more obvious – the General Election. Not only was this the election when the Indian voter once again proved all the pundits wrong, but it was also the election which delivered stability at a time when it was desperately needed. The pundits had largely predicted an unstable, fragmented coalition. The voters delivered a strong Congress-led majority, with no need for the Communists to keep it in power. For the international community, this election delivered the continuity of the internationally-minded economics professor, Dr Manmohan Singh, as Prime Minister, with some of his highly-qualified advisers. Maybe most important, this election opened up opportunities for the younger, more internationally recognisable talents in the Congress Party to cut their Ministerial teeth. Whatever they achieve in this Government, their emergence in the Indian governing class can only be a positive sign for the future.

The third ‘Indian’ event of 2009 has followed the election and is being played out even as we welcome the Indian President to the UK. This is the apparent change in approach by the Indian Government to sensitive multilateral discussions, in particular over the WTO and Climate Change. This is of great significance as India emerges as a leading player in the G20, which now looks set to act as the vital international grouping for future global economic governance. What changes have we seen in the Indian approach? The Indian Government would certainly say that it is not abandoning fundamental interests. The shift has

been to a position whereby the Indian Government acknowledges that it is better to have genuine dialogue rather than stand-offs. This was clearly the message at the informal Commerce Ministers meeting held in Delhi in September on the critical Doha Round. India has a vital role to play and we welcome its latest position, although it is still to be tested in the negotiations.

On climate change, the situation is different but the sentiment the same. India has for some time been active on the climate change agenda domestically. It remains firmly of the view that it will not accept internationally-imposed emissions cuts. Not everyone will agree with this position. But we now find India on the front foot, telling the story of what it is doing and would like to do about climate change, and not only establishing a dialogue with China but floating the idea of bilateral talks with the US and the EU. Future students of international history will tell what this shift signified, but it certainly positions India as a far more engaged player as it sits down at the international 'top tables' where it has earned its position.

Fourth, and finally, there is the global recession. It is generally accepted that India has weathered the storms well, both because of the nature of its economy and the speed and appropriateness of its Government's response. The Indian economy seems to be emerging earlier than many expected and the signs are that business is quickly returning to pre-crisis levels of confidence. This is not the place for detailed analysis

which would highlight shades of grey in all of this, but the story is basically a good one for India. At the very least this will give India great confidence going forward – as well as international investors. At best, it will help India's policy-makers plot a more successful course as they reform and modernise the country's economy in the coming years.

As always, there is a lot more to be said about India, in all its complexity. But a State Visit is a time for celebration – and celebration particularly of the bilateral relationship. We need to think about how best the relationship will promote our legitimate interests; to think beyond this year's trade and visa figures and next year's British elections to a world not far in the future in which we know India will play a leading economic and political role. We already live in an economy where Indian investment is engaging major British industrial interests. Corus and JLR are of course the two most iconic examples. We need to adjust our perspective to ensure that we seize the opportunity which our 'never been better' relationship with India offers, to ensure that it serves both interests. A successful partnership between the two countries will be vital to our future and to building an international community that is effective in tackling the global challenges we face, from climate change and poverty alleviation to nuclear disarmament, and which is also more just in its governance and policies. I hope this State visit will represent a significant step towards that ambition. **F**

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CBI Director-General Richard Lambert in discussion with CII Vice-President Hari Bhartia earlier this year

