

The Indian Economy from a Business Perspective: Implications for Korean Business*

Tarun Das

Thank you very much, Dr Il SaKong. He and I have been meeting together in Honolulu in the East-West Center and when I mentioned I was coming to Korea to address the Asia Foundation he was kind enough to invite me to interact with you this morning and I am very privileged to be here.

I thought I would give you a little history about our economic development and then bring you quickly to the present and prospects for the future.

We got our independence from the British in 1947, so it is sixty years of independence, sixty years of democracy, sixty years of a country which is full of diversity, sixty years of development, initially slow and more recently at a better pace, as I will tell you.

The first 44 years between 1947 and 1991, our growth rate was about 3% per annum, GDP, we followed a socialistic pattern of society. We had a private sector but we had a growing public sector under the leadership and ownership of the government. In 1991 we came to an economic crisis where we had to turn to the IMF and the World Bank for help. But we came out of it very quickly because in 1991 we changed our policies and we changed our economic strategy. We shifted from a government-led economy to a private sector-led economy. And we had the private sector in the past and now they were given a much larger role.

So if you look back from 1991 to 2007 it was sixteen years of economic reform, of liberalization. And I often say that we are 16 years old and China is today about 30 years old in this economic reform process. And for us we look to China for its growth and its world-class infrastructure as a role model so that we can see that Chinese standard and try to achieve it. Between '91 and '96, five years, as the liberalization progressed competition came in, for the first time foreign investment was welcomed, international trade opened up and the growth rate of the Indian economy went from 3% to 6% per annum, it doubled. Everybody was happy, industry was happy, government

* Transcription of a speech given at the IGE/Samsung Electronics Global Business Forum on Friday, October 19, 2007

was happy, the opening of the economy, which everybody was afraid of, but there was no real fear.

Then the second phase came 1997 to 2002, five years again, this happened again just after the Asian financial crisis, the IMF crisis and our growth came down. We did not have a crisis but we were affected in terms of growth. Meanwhile the economy had opened up, tariffs had come down, import policies had been liberalized and Chinese imports were coming in. So Indian industry was afraid on whether it could compete with China. But in those five years something happened the results are which we see today. First of all, the India IT sector, the software industry became known throughout the world for its competence and efficiency and our software engineers made their mark, especially in the United States. After 50 years of independence, around 1997, we found that there was one new industry that was able to compete internationally, globally and hold its own. Not only did the IT industry become a symbol of India's development, growth and liberalization but it gave confidence to the manufacturing industry to follow the IT industry. So in those five years, between '97 and 2002, the manufacturing industry restructured, they downsized, about half a million workers were released from engineering, from textiles and from other industries so that they could become more efficient. They acquired new technology, they modernized their management practices and by 2002 we found a very big change in the manufacturing sector in India.

So that brings me to the last part, 2003 to 2007. What do we see here, the manufacturing industry has become globally competitive, not only in India but outside India, they are investing outside, if you go out of Shanghai you will find Indian auto component companies, if you go around China you will find Indian pharmaceutical companies, you will find the Indian IT companies, the mineral-based companies investing in China. Instead of being afraid of China, which was the situation ten years ago, today Indian companies are in China, participating in China as manufactures, as producers, as investors. And the trade with China, which ten years ago was only a billion dollars, is now 30 billion dollars. It's gone up thirty times in ten years and will soon pass our statistics for our number one trading partner, the USA. But clearly we can see that the growth of trade with China is so much that it will surpass trade with the US.

The Indian manufacturing industry is completely open, there are no regulations or controls anymore for investment, for trade and the tariffs have been coming down

steadily. Not only are we investing outside, recently the Tata Company, which has invested in Korea, has acquired a very large steel company in Britain CORUS, but also we are now allowing foreign companies to also take over Indian companies. Recently Vodafone from the UK acquired one of our largest mobile telecom companies for 18 billion dollars. So please remember, I said ten years ago we were afraid, but today we are not afraid of globalization.

Not only that, Indian companies are now employing expats, foreigners, if a company requires a foreigner to run it, we are going out employing foreigners to come to India to live there and work there. We now have a very big private sector, airline business, some of the really first-class airlines of the world are Indian private sector airlines. Their ownership is with Indians, but their top management is from Germany, America, Singapore and other countries. If you look at the Tata Group, their hotels that are all over the world not only India, the Chief Executive is an American, in fact from Honolulu, Raymond Bickson. This has become a new practice and I just wanted to share this with you, that we came from an environment of protection but in the last sixteen years there has been a transformation in Indian economy, in Indian industry. And what we find now is that the entrepreneurs who were there earlier and have always been there and who were uncompetitive during the time of protection, have become in the last sixteen years globally competitive and can hold their own.

Let me now speak about some of the major challenges we now face. The first challenge we face is infrastructure. I spoke to you that we want to follow the Chinese model, we are deeply impressed how China has invested in its infrastructure and we are also deeply impressed in how Korea has invested in its infrastructure. I go around here and I see your infrastructure, your roads, your tunnels, your bridges and it is exactly what we want. So this is a very big challenge, we are a billion people, so the scale, the demand for infrastructure is huge and in the next five years we will spend 350 billion dollars on infrastructure development and we are welcoming foreign participation in all aspects of infrastructure development. Already the Ports of Singapore authority has taken over two ports in India. P&O of Australia has already taken over three ports in India. Private sector consortiums are building international airports with foreign companies involved. There are six international airports being rebuilt, Bangalore will be the first, a consortium led by Siemens is building it. Major companies are involved from all around the world. If you look at our highways construction, it is the largest highway construction program in the world. 30% of the

business orders go to a Malaysian company. Malaysia has a minister who visits every month to negotiate for Malaysian companies that they must get orders and they are very successful. The telecom sector that was virtually a government monopoly, we now have private sector there, Indians and multinationals. The largest company is an Indian private sector company, they have fifty million subscribers there and the addition of cell phones every month is five million. Five to seven million is the connection of cell phones that is the size of the demand in India. The tower construction program for the mobile phone sector is the largest in the world. So this is a big challenge infrastructure, a huge expenditure, great business opportunities and the whole world is there.

Second challenge. Agriculture and rural development. We have 600 million people living in the farm sector in rural areas but contributing less than 20% of our GDP today. We have a challenge to improve productivity, to bring in new technology and to make the agriculture sector competitive. Because of technology, IT, telecom, television and the building of rural infrastructure, we are seeing the beginnings of a new transformation. So every year we see 30-40 million people are being added from that sector into the mainstream of our economy, they were not in the mainstream of our economy because they earned less than one dollar a day, but they are now adding to demand, adding to the opportunities for business. We feel that it will take us ten years, but gradually with the reforms being carried out in agriculture, we hope to be one of the food baskets of the world, in other words one of the food surplus countries with a prosperous agriculture and farm community.

Challenge number three, this is the challenge of social development, health and education. Because of poverty and the past low growth rate, we did not put in enough resources into education and health from the government's side. Today the government has doubled and trebled its allocation of resources for health and education and equally as important the government has given freedom to the private sector to come in to health care and education. So there are schools of business, which are run by private sector, there are private sector hospitals, which are doing very well and are state of the art. Today there are Americans and British people flying into India for world-class treatment and surgery at one tenth of the cost. Sometimes you will see in the *Wall Street Journal* which gives you examples, for example an American couple who came to India, he had his cardiac surgery done in Delhi, he went to the Taj Mahal in Agra to recuperate and have a holiday, flew back to the US after that and the cost was ten percent of what it would be in America. Our doctors are all trained in America, they

have all worked in America and are now coming back to India and are leading this health care industry. In fact, my feeling is that, seeing the development of health care in India it will be the big growth area after IT.

The private sector is also involved with the government in skills development. Because of our growth at 9% we are now finding a shortage of skilled people, so government and private sector have joined together to launch a nationwide movement on skills. We ourselves are launching campaigns around the country for poor people who are school dropouts, who have not been able to complete school, teach them a skill so that they can become employable. We are also engaged from the private sector in engaging HIV/AIDS, there is an Indian business trust on HIV/AIDS led by Mr. Ratan Tata, chairman of Tata where the corporate sector is not only doing awareness building and training but also setting up treatment centers and meeting the costs which are quite immense not only to the employees and their families who have HIV/AIDS but also to the people in the community around them. And these are some of the examples of corporate social responsibility which is emerging, and there are many more. For example, Wipro, which is one of the largest IT companies, has set up a fund only for primary education and this primary education is being extended in the villages of India. One telecom company is setting up one thousand schools in one thousand villages of India so that the children can have access to quality education. So this has become a joint government and business effort to face the huge social challenges.

Let me give you some highlights of where we are and then I will close. Number one, we failed to control our population growth, we are a democracy, we tried to control the population in '70s and we failed. We could not impose a one child per family policy. The result is that we have 500 million people under the age of 30. The result, they are an asset and they are full of energy, excitement, enthusiasm, drive, and creativity. The young people of India are driving change and they have become consumers, they are your market for Samsung, LG and Hyundai.

Second, technology. We have found that Indians are comfortable with technology, that Indians are able to develop technology, absorb technology, transfer technology and especially the younger generation are very comfortable with technology. And that is transforming many things, because we don't have to go step-by-step for development, technology helps us to take a quantum jump forward and technology is making a difference to the speed and development of growth in our country.

Third. I spoke about the IT sector and health sector but I want to make a point that the entire services sector, the services industry sector, engineering services, R&D services, financial services, you name it, consultation services, accounting services, legal services, there is an explosion of growth in India. And young people are very often going and setting up on their own and being self-employed in the services sector. So across the country we are seeing an enormous growth in the services sector and of course enormous employment taking place in the services sector, which of course we need. At the WTO-level we are keen for liberalization of the services sector trade, we are keen because we feel we are globally competitive. We started talking to the US, we talked about a Free Trade Agreement in the services sector but they are not ready yet. They are concerned about immigration and movement of professionals and all of that. But this is a sense of the confidence that is there, which enables us to talk about a Free Trade Agreement on the services sector. We are ready to open up our legal and accounting services to the world, if the world is ready to open up their sector to us.

All these changes which has brought us to this 9% growth rate and with the 600 million people coming into the market in the economy in the next five to ten years we see that our growth model will go beyond 9%. We still have China as our role model, we will still learn from China, but we feel that while we are slow to change because of our democracy, because law and policies have to be debated across the country, once the change happens it stays. It stays whether the government changes or whether there is a different political party in power. The important thing is that we know that we can't develop our country at the rate we need to develop of over 10% per annum on our own. So we have opened to foreign investment, we are reducing our barriers, we are trying to see that we have non-tariff barriers even though we find in the European Union, where Ambassador Abhyankar was our ambassador, that they are masters at non-tariff barriers so we have learnt from them.

We want partnership and we are seeing a wonderful partnership with Korea, the experience of Korean companies so far has been good. I know that POSCO so far has had difficulties. POSCO has had difficulties because they are setting up a huge steel factory and that steel factory will come up in an area where there are poor farmers and families. Those poor farmers and families have to be removed from there. Now we don't have at a government level, social security so we have to provide retraining to the farmers to get new jobs. This kind of problem we find in different parts of India for

different investment projects. And the companies now understand this that they have to be considerate and compassionate in dealing with the dislocation of people which local people, farmers and their families face. I think you will see that POSCO, though it has been delayed, will start early next year, all the problems have been resolved. And I shared the platform with a senior person from POSCO yesterday at the Global Knowledge Forum and I think POSCO will become a great success story like LG, Hyundai and Samsung. The limits to business opportunities, to economic relations are almost limitless.

For small and medium companies, my message is export to India, don't worry about investment now, because investment means allocation of more resources. Sell to India because we are buying anything from around the world. Most of all we are buying a lot from East Asia from China, Taiwan, Vietnam, very little from Japan, our trade with Japan is very little. Our trade with Korea is much more. So small and medium companies can sell to India, get their experience in trade before they think of investment, they can be the support system to the big companies of Korea which are participating there. And finally the construction companies of Korea, which are world class and have shown their ability here and in other countries. They have a great opportunity in building our infrastructure, taking contracts and participating. So I will stop here now, thank you for giving me this opportunity and thank you for listening to me.

Questions & Answers

Q Mr. Tarun Das, I am very much impressed how India has transformed from import substitution era to fully liberalized open economy. As you said, India is a world leader in the IT sector, Koreans also believe we are an IT power especially in the hardware sector. Perhaps Korea and India could form a partnership bringing together the software and hardware components. One of the leading presidential candidates visited India to talk to your President and to make India-Korea the world intellectual platform utilizing the IT technology. I wanted to hear your view on this.

India and China has a bilateral annual meeting to discuss not only trade but also international diplomacy and so forth. I know that they have talked about a Free Trade Agreement between India and China. I would like to know where it stands at this point.

I know geo-politically India is inclined to have a more friendly relationship with the US to display a containment policy on China. So I would like to know your view on this, building a strategic relationship with the US in terms of military preparedness.

And the third question is about the East Asia Summit. India, Australia and New Zealand joined on top of the ASEAN Plus 3 framework. What is your view on the expanded East Asian Summit, do you think it could lead to the East Asian economic community idea which was originally addressed by the ASEAN Plus 3 which includes China, Korea, Japan and now India and Australia have joined the process.

A Thank you, those are all great questions. Let me start with the IT sector, I see complete complimentary between Korea and India. We have no hardware industry. You are quite right in saying that you are very strong in the hardware sector, our strength is in the software sector. I don't know why there is no focus on this, we need to focus on this. And there is something coming out of the visit, again and again, that we are looking to Taiwan and China for IT hardware more than we are looking to Korea. I think we have to change that, we have to have some really in-depth discussion between company to company. Because our software and services sector is booming, year after year, companies are growing at a minimum of 30% so you can imagine how much hardware they are buying to equip themselves for the future. So it can become the lead business between India and Korea.

There is no worry of competition here because we don't make IT hardware. We tried many years ago to make hardware in the public sector but we failed and the private sector has not invested in this area. It is a very clear opportunity, there is a need for work and action to take this forward. I don't think we need to depend on the governments to do this, I think we should do this from the private sector. Of course, the two governments are negotiating now for a Comprehensive Economic Partnership agreement which should be completed by the end of the year and which will be modeled on the Comprehensive Economic Cooperation we have with Singapore that covers both products and services. That will be like an FTA between Korea and India but more than an FTA because it will not be only for products because it will cover other things like education and other opportunities for cooperation.

I was a member of the joint working group set up by the two Prime Ministers of India and China to develop trade strategies between the two countries. There is clear

recognition of the trade potential between China and India. But there is a worry in India in regard to only one issue. You see our private sector companies are private companies, you can know it, they are listed on the stock exchange, their ownership, everything is known, the media is so aggressive that every information about everybody is known in the newspapers or on the television. It is a western-model media in an Asian country with Asian culture, that's India. And they have become, if I can use the word, intrusive journalism to sell their newspapers. Our problem is we don't know often who runs the company. Is it a private-sector company or is it a government company? So if we were clear that China is a market economy, like we are, then I see no problem in beginning discussions and negotiations on an FTA.

But the two markets together, can you imagine the size of two markets together for trade and investment? Today we are talking about how to increase trade with each other in a joint group but we are not yet talking about an FTA. Personally I feel we should start talking about an FTA. FTA discussion does not mean it starts tomorrow. But there are many people in my country who are apprehensive, that if we start talking of an FTA with China it might happen too quickly. And that we do find that there are many Chinese enterprises that offer products at prices that are below the raw material cost. Which means, these are not market-based commercial pricing practices. You see our private sector companies, much like your own, are raising equity from the market or borrowing from the bank. So they have to pay back, so they have to maintain prices that give them a return otherwise they go bankrupt. When they see Chinese companies are offering prices that are below the raw material cost, there are question marks. That is why India has not recognized China as a market economy. They have been pressing us to do that but we simply don't know enough about the companies and how they operate.

Your third question was about the Indo-US relationship vis-à-vis China. First of all, India and the USA did not trust each other for almost 50 years. Unlike Korea and the USA or Japan and USA, both maintained a long distance from each other because of the Cold War, we were seen to be in the Soviet camp. In the last five years this has changed, this has started to change in the final years of President Clinton's Administration and President Bush in these last seven years has taken this forward with different Prime Ministers of different political parties. Earlier the BJP when Mr. Vajpayee was the Prime Minister and now with Dr Manmohan Singh.

We have come a long way, we are engaging each other, we are doing more business with each other, US companies are investing heavily in India, and they are our largest investors. As I mentioned, they are also our largest trade companies. And it looks like it will continue to do so because many efforts are being made for US and India to do more business together. But there is no policy of containment of China, not at all, we want to do more to engage China, more and more, I can't speak for the US, but we want to engage China. And I am telling you that I am interested in an FTA with China eventually if we could have more clarity about Chinese companies and ownership and practices, then we are ready. We want to do more with China, we see our relationship with China, our being in the same neighborhood, being both in Asia both have large markets, there is a huge benefit of having an FTA with China. So economic partnership and every other partnership with China is booming. Do you know there are many young Indians teaching English to Chinese students now because Indians learn English from their birth. I don't know who teaches English here, but the Indians are teaching in China.

There is no question of containment and there is no question of any conversation or dialogue between India and US of any containment of China. In fact the Prime Minister has told me that we should engage more and more with China, we ourselves have two offices in China, CII, Shanghai and Beijing. Every year we organize Indian trade shows in China, every year we bring Chinese business experts to India. Because we are very clear, we have no question of containment, we want to do more with China.

Your last question was about the East Asia summit. Our "look east" policy only started in 1993. Mr. Narashimha Rao was the Prime Minister, Ambassador Abhyankar may want to come in to add a little bit, because he formulated the policy, he implemented the policy of "look east", he administered the policy from the foreign ministry as vice-minister. We definitely want to be part of an East Asian economic community. We have now got the CECA as we call it with Singapore, we are in an advanced stage of negotiating an FTA with ASEAN. We have an FTA with Sri Lanka, we are negotiating the CEPA with Korea, we are negotiating with Japan, and we are talking to China about opening up trade more. So all this is bilateral but it is all leading in one direction, integrating India's economy with the economies of East Asia.

Ambassador Abhyankar I will just add that our "Look East" policy started in 1993, as Mr. Das mentioned, but it did not get really going until 2000. The first India-ASEAN summit at the state head-level was not until 2002. So it is a policy of considerable

recent origin, although it is a contradiction because we have had so long links with East Asia and Southeast Asia that it is surprising that it took so long to do something about it. But from about 2002 to 2007 we had so many bilateral agreements with each of these countries, we have done it with Thailand, we have done it with Singapore, we are going to do with Malaysia and we are going to do it with ASEAN as a group as well.

We are very happy that, I think, China, India and Korea are in a summit dialogue with ASEAN. I think it is a logical way of carrying forward the entire trend that we have in the East Asia community. We are very interested because of the whole market that opens up. And I keep reading in the newspapers that the 21st Century will be an Asian Century, at least for the first 7 years, it shows that it will be.

Q Thank you for your excellent and exciting presentation. India looks like a country of plenty opportunities, you are open and liberalizing. Well, China is well known to Korea and we are not afraid to invest in there but we don't know much about India as of now. Considering direct investment into India, what is the most important factor we have to take into account, is it cultural factors or labor factors that we have to think about.

A I think first of all we have to consider the difference between India and China because of our democracy it goes right down to the village level. You have to deal with multiple agencies, federal-level, province-level, and local-level. This is what POSCO found later, they thought they had gone in at federal-level and everything would be ok. But in India it goes all the way down. That's the first point. And I think the Korean companies don't have enough information about our systems and the procedures that go with the system.

And because of this, it takes longer. There is a saying that "it is very easy to get into China but it is very hard to get out" but in India it is very difficult to get into India but you will not want to leave once you are there, because you will feel comfortable with the transparency and openness that is there. But it is a different world and I think that except for some of the biggest Korean companies, who have gone in there and been aggressive and been successful, by and large you are right the information is not available.

Yesterday I was speaking to the FKI, to the Chairman and CEO that we will try to have a Korean in Delhi to help Korean companies, a Korean who knows India. Because

there is a problem of culture, there is a problem of language, there is a problem of communication, and I can see that. So we need to have someone who can give a helping hand in your own language and culture so that it will give you that information you require. You do need information because we are a different world. We are a completely different world from China and a very different world from Korea. It's very difficult for your people to be comfortable in India because it is a different world and I understand that. So we have to do something special for Korean businesses, for Korean enterprises to participate in India to acquire knowledge and information and then to be comfortable in India. It is a process and we have to work on that. We have been far from each other and the companies who know India from Korea are too few and they are also too new to India. It is not like Samsung and LG have been there 50 years, they have only been there ten years. It's a very recent origin and we have to work on it, there is a problem. And from our side we will try to address it, also we have Korean partnership and collaboration. FKI is also interested, because FKI members are saying we want to do business, how do we do it, how do we get in? How do we understand this strange animal that is India. It is a different animal, it is a different tree that does not grow in Korea.

Q I am talking on behalf of our Chairman, Mr. Jung. This question is about two sectors specifically, one is the power sector and the other is the shipping sector. First question about the power sector, we see everyday in market reports about UMPP (Ultra Mega Power Plant) coming up in India and we can see all the companies we know jumping into that field. So he wants to know how like efficient things are happening and is it true that by about 2011-2012 there is going to be a big transition in the field of power sector in India?

That is the first one, the second one is on shipping as we are all into shipping. The whole world is looking at India as the next big thing in shipping. You might be aware that from 2004 in the last three years we have been in a new platform of shipping, some say it is because of the China factor. So we are expecting from about 2009 to 2010 we will move to a new platform because of India factor. But he is very worried that India's port facilities are not even near to good enough to meet India's demand. And also very specifically on iron-ore sector, he is very worried that contrasting policies and a lot of confusion in the market, you know, one day we read that this is going to happen in iron-ore sector and quantity is going to decrease and yesterday we read that the

quota export out of India in iron-ore has increased since 2006 by about 6 or 7 percentage. So what is the government's clear policy on iron-ore sector?

A The most difficult policy change in the infrastructure sector in India is related to power, because the government owned the power sector, controlled the power sector and gave the power free to the people. And that was a very big reason for us coming to a crisis in 1991 because we did not teach our people that you have to pay for power. Once the private sector was brought in to the power sector by Dr Manmohan Singh we had to start teaching people to pay for power. So there has been a very difficult transition.

Today if you go to the state of Andhra Pradesh, to the city of Hyderabad, you will find five private sector power projects working well there, it is a major development. Now we are going for this Ultra Mega Power Projects, not too many, there will only be four or five. And recently global bids were invited for two, decisions have been taken and contracts were given and two more will be bid. It's an area for opportunity. The difference in this policy of new Ultra Mega Power Plants is to do all the preliminary work and then hand it over to the successful bidder so that they do not have to go through any problems or procedures like POSCO went through in getting the land for their factory. The government is acquiring the land and doing all the preliminary work, so that the investor can get on with the work and run the plant. So it is a different approach.

Our power demand is huge, our deficiency and shortage is over 10% and with the growth rate at 9% going to 10%, and the demand for power is increasing. All the power can't come from Ultra Power Projects. Because of the geography of our country, the hills and mountains in the northeast we also have to go for local power development and we are doing that. We also are expanding our renewable energy, solar energy, and wind energy because we are worried about global warming. This is why we want nuclear power stations because it is clean energy. We have the technology but we don't have the fuel and the uranium. This is why we are trying to have the deal with, not just the US, the US is only the gatekeeper, it's with the world, we want the uranium from Australia, the fuel from somewhere else, the power stations from France, Russia, Japan, US also. So we have a very big program of development of energy and we want to focus on clean energy because we don't want to add to our environmental problems, I just wanted to give this aspect because we are deeply worried about climate change issues.

On iron-ore there are two lobbies, the iron-ore lobby who want to export and the steel lobby who don't want the iron-ore to be exported but to be kept for the Indian steel industry. We are a democracy, we cannot ban iron-ore exports, and it's just not possible in our country. Our government cannot make a decision that a business that is going on with Korea should be stopped and go only to the Indian steel factories. Even if the government tried to do this, because the steel lobby persuaded them, the iron-ore industry will go to the appeal courts and they will win because it is a freedom of choice. The government cannot tell the iron-ore industry who to sell to, it's just not possible in India to do that. Iron-ore is in abundance in India, it is owned by certain businessmen and industry they will sell to whoever they want to. Have I answered clearly? Everyday you will read different stories because one day the iron-ore exporter is paying the reporter to write his story and the next the steel industry is paying the reporter to write his story. Whoever pays the media more gets his story. This is the story of the media industry these days. Indian policy cannot be changed overnight, iron exports have been going on for many years and will continue to go on.

The last point about shipping and ports. Because our port capacity is short and because of that worry, that is why we brought in multinationals, like P&O, like Port of Singapore Authority and others to set up and manage new ports. Your Chairman is right, this is a big worry for India, and our imports are increasing more than our exports so we need more ports to come through. There is congestion, there is delay, but the worst ports are the old ports, Bombay, Calcutta, and Madrasss. The new ports are much more modern, much more efficient, much less waiting time. And you will see some new ports coming up on the western side, Gujarat and a new port near Calcutta. So these ports will be far more efficient than the old ports, but it is a problem and we must acknowledge and admit it is a problem.

Q When did you take the last census and what is the population now?

A It is every ten years, the last one was in 2000, and I think we must be around 1.2 billion and growing. The forecast is that we will pass China soon.

Q Mr. Tarun Das, since you have a global bird's eye view, let me take this opportunity

while you are here. Recently the inter-Korean summit took place and I know that India had very friendly relations with North Korea. What is your view on the expanded economic cooperation, which was announced in the recent summit? And to what extent does India maintain the relationship with North Korea and how do you see the Korean unification issue.

A We are outsiders so I will give the view from outside and as a friend. I think we would like to see one Korea. We would worry like I am sure you would worry about what happened in Germany when the Berlin Wall fell, the stage of development of both sides was so much different so West Germany had to carry East Germany and that made a big drain on the resources of West Germany. So, if the two Koreas are united I feel you will have to face the same problems. You might like to see what happened in Germany, learn from that and prepare in advance for a strategy for that.

Our own relations with North Korea are very limited. Every year we provide them with some rice. We have very serious concerns about the way they acquired nuclear weapons. First China gave it to Pakistan and Pakistan gave it to North Korea. And that is an area of deep concern in India. We wish you well in your talks, I think it is very complicated but very challenging. I am not speaking on behalf of the government. Maybe Ambassador Abhyankar may know better what the government's position is, because he has dealt with this region. But as a layman, I would like to see one country, one economy and unification.

I hope that one day we will have a United States of South Asia, let me put it that way. One day we will have a United States of South Asia, we can't have one country but a United States of South Asia of the seven countries. Maybe the capital would have to be in Colombo, it can't be in Delhi, because it has to be in a small country. But it will be a free economy, free movement of people, and free movement of trade because that is the way the world has to go.

Ambassador Abhyankar It is not an official view but what I would like to say is that as members of the Non-Aligned Movement, we have a different kind of relationship with North Korea. But in the last fifteen years there has been a general decline in the effectiveness of the NAM and therefore it has become a bit disparaged with different countries having different agendas. But most of the time the focus has shifted from the political aspect of the NAM to the economic aspect. As far as the economics of the

problem it is a concern for all countries, developing countries and within the NAM. There are some countries India, Brazil and South Africa, which are moving at a fast rate and there are those that are not, like North Korea. So what I am trying to actually say is that the Non-Aligned dimension of the relationship between India and North Korea has waned to a great extent.

We remained greatly concerned about the nuclear proliferation in North Korea. As Mr. Das clearly mentioned the movement of nuclear triggers and other material equipment from China to Pakistan, and then Pakistan proliferation through the euphemistically named "Khan network" which has reached both Iran and North Korea. It is a matter of great concern to us one because of the proliferation aspect and two because it has made our neighborhood extremely dangerous and we have to do something about it. Rather than arming we would rather see it defused. So of course, we support that talks go on and eventually the reunification of North and South Korea.

We have seen how the talks have gone, going up and down depending on the different Administrations in the United States. I remember in late 1990s, 1998, during that Democratic Administration, Bill Parry actually proposed what is being proposed now. To put it undiplomatically, how you can buy the whole problem off by offering something. Now we have never been a part of these talks but we have in our own small way been trying to pressure North Korea to give this up. And we also realized there is also a tremendous amount of need in terms of the North Korean people, we get regular requests from North Korea for providing rice and medicine, which we have happily done. Because we believe that we need to keep engaging the regime and do what we can in our way, although we are not part of the talks, to support the general objectives that have been done.