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Charity Registration Number: 208223

Transcript

India's Rise and the Obstacles Ahead

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Thursday 22 September 2011

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Robin Niblett:

I'm Robin Niblett, Director of the Institute, and it's my very great pleasure to welcome you all here today to hear our meeting with Sir Mark Tully who we are delighted has been able to take some time to join us on this visit to London.

As I think you all know, Mark is based in New Delhi, and that may not be entirely obvious to everyone because he obviously is a presenter these days regularly on the *Something Understood* on BBC's Radio 4, but those of you who do know Sir Mark Tully well will know that India has been both home and passion for the majority of his career.

He was born in Calcutta and then managed to spend a full 22 years as a BBC Delhi correspondent, 20 of those 22 years as the Bureau Chief. Since then he has been a freelance journalist and broadcaster as I said working with Radio 4 in particular but also a very prolific author and we have a couple of copies of his books down there for those who may wish to purchase them afterwards – I don't think they're being given away.

But his latest book is *India: The Road Ahead* which sounds to me neutral Mark if I may say so – the road ahead – because you have had India in slow-motion and you have had no full-stops India and a divide-and-quit amongst some of your other books. I can see you've perhaps called it in a particular tough way but I'm sure we will hear in your presentation now whether you think the road ahead is going to be bumpy or not.

The title you gave us is *India's Rise and the Obstacles Ahead* which is again neutral. But I think India is a country which is of increasing fascination, not just to a place like Chatham House and think-tanks but to all of our members, and to have somebody who is as intimately knowledgeable of it and who has been such a great commentator, respected commentator, he is wonderful for Chatham House. We're really pleased that you'll take the time to be with us. This meeting's on the record.

Sir Mark Tully:

Thank you very much for that introduction and thank you very much indeed for inviting me to Chatham House.

One always feels a sense of awe about Chatham House and thinks everyone is terribly bright and terribly intellectual and terribly serious. Most journalists

are like me, people who sometimes wish we had been academics but realised we probably never could have been.

So I'm going to speak to you about my personal views, how I see India. I'm going to try and do it in a way which will be different to some of your presentations because I do think that sometimes the academic analysis, and particularly the economic analysis of India, is too much based in libraries and with calculators in front of people and that sort of thing and that people do not get out enough, and in particular do not get out enough into rural India to see what is really happening on the ground.

What I want to speak to you about is how I see the future of India from the travels which I do in India.

Let me start off by saying what is the India story because this is the story which has really brought India into prominence, and I suppose it is most obviously and frequently remembered by the initials BRIC which are the countries that have been declared by Goldman Sachs to be going to be the leading economies of this century and India is going to be – perhaps, according to this estimate – India is going to be the largest economy of them all halfway through the century if I remember my figures rightly.

And I think the danger of this story to India is that India will believe it and will think that if I could use a Hindi phrase which some of you will realise – *on its own or automatically it will reach its destination* – and that is why I think it's hugely important for India, for all who care about India, and for those indeed who want to invest in India, to see the potholes ahead so that there can be a concerted drive to do something about these potholes.

Now what is the evidence to support the India story first? I wanted to give you this evidence first because the one thing I do not want to do is to give you a black or indeed a white picture of India.

When I was launching my last book in Calcutta, Gopal Ghandi, the grandson of the Mahatma, said he liked the book because it was all about balance and because it's about balance he said: It is a grey book and grey is my favourite colour.

Now you might think that's rather an adverse or dampening at least comment to make about a book but both that book and this book I hope are in a way grey, in that grey is a mixture of white and black. So I hope no-one will go away saying that Mark Tully has said that there is no hope of India reaching its potential.

We do have to realise – those of us who would take even the most dismal picture, which I don't – that the trend rates of growth in India has accelerated very rapidly, that it is now probably the second fastest growing economy, that it has managed to steer a way through two financial crises and is still more on track, if I can put it like that, than many other countries are.

It has had this enormous growth of service industries which has led to the phrase *Bangalored*, said by American people working in IT who lose their jobs to Bangalore. It's had some really successful motor car industries. All of you in this room have probably seen that in Wolverhampton, Tata through their ownership of Jaguars, are going to virtually rescue the town and Tata, the largest conglomerate in India is a hugely successful global company as well as an Indian company.

And last but most significant from what I'm trying to say today, India is regarded by economists as having a huge potential because of its very young population. Its population is somewhere near 50 percent below the age of 25 and of course this is in sharp contrast to the population of China and despite the problems which population has posed to India, on the positive side unlike China, it should retain a good sex balance and as I said a good balance of young people as well.

But the young people are what I want to concentrate on today because I think the biggest danger for India in a way is that what economists call demographic dividend turns out in the end to be a demographic disaster because if India simply goes on as it is at the moment, this economic growth is not producing enough jobs and is not producing the services like health, education, etcetera which are required to produce a good working population.

In 1942 Lord Beveridge, when introducing his report, said there were five blocks to progress in Britain at that time – which you remember in the years between the wars were considered pretty dismal in terms of the social welfare of people in this country – and he said the five blocks to progress – and I think the word 'progress' is interesting – were want, ignorance, squalor, disease and idleness. And I think all these still block progress in India.

If we take first of all the problem of ignorance, one thing is absolutely clear and that is that the Indian education is not even producing enough graduates who are suitable candidates for jobs in industry as it is presently developed and of course if the economy is to go on and on growing then industry services and all the rest of it are going to need more and more people. But if you talk to people in the service industries now they will tell you that India is

beginning to feel the pinch because wages have gone up due to shortage of trained staff.

In my book I quote the head of Tata or the recently retired head of Tata Consultancy Services, the biggest IT company in India, and he says he sends his staff round Indian universities trying to raise the standard of faculty so that they produce graduates who are more suited to join companies like TCS.

And of course the educational problems go right down to the village level. They go down to the village school I was in recently where there were no children to be seen and a notice scrawled on the blackboard saying: 'Gone to the bank, maybe back tomorrow' signed by the teacher, and absenteeism is just one of many problems in Indian education. So you have Beveridge's problem of ignorance there.

You have Beveridge's problem of disease as well because the health services are in no better state than the education services. Again, obviously, you need a healthy work force and I'm going to say a bit more about that in a minute.

You have the problem of idleness because only, I think it's 10 percent of those in work are in the organized sector; the rest of them are in unorganised, and that usually means very, very unorganised sectors indeed and although you get figures which indicate that most Indians are working, again when you are out and about you see that huge numbers are clearly not working.

Only today I got an email from a Cambridge academic who said he had been studying in Murat for many years, people who were young men who were doing what they call in India 'time passing on street corners' in Murat. So you've got idleness added there as well.

You have squalor in the uncontrolled expansion of the cities, unplanned, uncontrolled, caused by large scale immigration from the rural areas and the creation of new urban areas through migration as well of course as government inadequacies in planning.

You also have want. And want and disease, if you put those two together, create a very serious problem of malnutrition. Malnutrition is highlighted, particularly among women, by the fact that under women some one-third of women according to the World Health Organization are under-nourished and 56 percent are anaemic. 64 percent of people who are below the poverty line and therefore the most likely to be anaemic live in the worst administered, most backward states of India known as the BIMARU states – and Birmaru comes from 'Bimar' which means 'ill' in Hindi.

And if you put these three things together you get a really serious long-term problem because it means that in a whole area of India you have mothers who are severely under-nourished, their under-nourishment, their malnutrition will impact on their children and if a child is malnourished up to the age of one even, then it is likely to suffer brain damage as a result of malnutrition. So you can see that this is a real cloud hanging over India.

There we have the five blocks to progress which Beveridge identified and I would suggest that these are the five blocks to progress in India.

Now why is this happening? Well of course there are many reasons but I think the fundamental reason is to do with governance. It's very dangerous – in my book I quote an economist who says you mustn't put too much stress on governance – but the most obvious problem which India faces is a problem of governance.

The phrase which I like best to describe India was given to me by an American academic, Lant Pritchett, who works for the World Bank in India, or who has worked for the World Bank in India, and he put it very nicely when he said; 'India is not a failing state but a flailing state', and by that he meant the problem with India is that the government flails around it, draws up policies, it spends money on health, on education and on other such services but it flails around the place because it is unable either to see that that money is properly spent or to see that the policies are implemented. And time and again what comes in the way of this is the combination of politicians and civil servants joining hands and the net result is that policies get distorted or corruption becomes tolerated, corruption becomes initiated very often by the very people who should be making policy, seeing that policy is implemented and at the same time also of course ensuring that there is no corruption.

So Lant Pritchett put it like this. He said the capability of the Indian state to implement programmes and policies is weak and in many domains it's not obvious it is improving. In police, tax collection, education, health, power, water supply, in nearly every routine service there is rampant absenteeism, indifference, incompetence and corruption. And this is in part a result of the failure to reform the bureaucratic systems of India since the time that the British left.

When Nero was writing his autobiography he said that India would never be – and this was before independence – that India would never be the India it could be unless it got rid of the ICS, the Indian Civil Service of the British Raj and the spirit of the ICS.

And in my view it is the spirit of the ICS which is doing more damage than the ICS itself because the ICS, for all its good points, and it had them of course, did create a bureaucracy underneath it which thought it was there to rule, to govern India. It did not have any idea of service, whereas what is required is service and a civil service which is service oriented.

So you have this antique, antiquated, unsuitable bureaucratic system and the position has been made worse of course because on this very rickety basis, on these very inadequate foundations, they have had to build a more complicated administrative system to cope with the complications of democracy and with modernity, and what has emerged is a jungle of regulations, of permissions that to be got, etcetera.

Now some people think that the 1991 economic reforms did away with all that. It did away with some of it but by no means all of it. So even when it comes to investment – and even those of you who are businessmen will find this – you will find that the bureaucracy is extremely complicated and is something which will certainly deter some people from investing.

An executive director of Tata and Sons, which is the holding company for the Tata conglomerate, said to me: 'It's like having 10 linesmen around a tennis court, any of whom can shout out with no consequence to him.'

That is the problem of doing business.

Now this problem of the bureaucracy which I could go on giving you examples of until I'm blue in the face – I have to keep an eye on the time – I'll just give you one entertaining one which I had recently at the bottom end. I had the misfortune to have my car stolen so, as is my practice, I set out to buy another second-hand car in Delhi and I found one with a number-plate of Haryana which is the neighbouring state. So I said to the man selling it, the salesman: 'I like this car'. He said: 'Oh, you can't buy that one because you can only buy a car which has a Delhi number-plate on it'. And I said: 'Yes but India is one country isn't it?' He said: 'I don't know about that, that is the rule'.

Then, when I came to register this car I got into even more trouble because I was told that although I clearly lived in Delhi, although I'd bought a car with a Delhi license plate, I still had to give an affidavit signed on 10 rupees stamped paper in which I guaranteed to pay back any money that the transport department might have to pay as a result of my registering the car.

So this is the sort of tortuous process that a simple thing like that comes about. And when you've perhaps seen pictures on the television of all the anti-corruption demonstrations, the fast [inaudible] to death, the huge crowds

which gathered to support the demand for an anti-corruption ombudsman, if you listened to the television you would find that almost everyone who had gathered there gathered there because they were personally being affected by the corruption in some way or other.

So from top to bottom you have this complicated bureaucracy and also you have this very very rampant corruption.

The Prime Minister himself made two statements since he's been in power which in a way illustrate what I'm going to say. He said that the rates – looking on the progressive side – he said that, 'the rates of enrolment in primary schools have increased, gender gaps in schools are narrowing, life expectancy rates after immunisation of children have increased, percentage of population with access to clean drinking water has also gone up and so has village connectivity and electrification, but I must add while there is progress we have achieved less than we need to.' And he should certainly have added less than we could.

And at the same time, not much later, he said this: 'No objective in this development agenda – the agenda of the government – can be met if we do not reform the instruments in our hand with which we have to work, namely the government and public institutions.'

So the Prime Minister himself realises quite clearly that a major major item on the agenda of India, if it is to achieve its development agenda, is the reform of the government, governance and institutions.

Now it hasn't happened thus far as I said but there are hopes that it will happen. If I could quote that director of Tata again, he said to me he believed that this crisis which we're facing in India at the moment, the crisis of public anger over corruption, could be a sign that what he called the 'cyst of corruption' has – he uses the word – 'ripened to such an extent that it can be and has to be lanced'. That was his analogy for what he hoped for.

And there are definite signs that the pressure is building up and that maybe the government will have to do something. There is a sign of the anger over the hunger fast. There is a sign of business at last raising its voice.

One of the amazing things about India, one of the great things about it is it's a remarkably open country and I've been allowed to speak openly in India just exactly as I'm speaking to you today and time and again when I've met business people I've said, why are you people not speaking out? And the business voice is particularly important because it is the business community

which is actually producing the growth that the government says is absolutely essential and everyone believes for the country to go forward.

Business is starting to speak. I have a friend who is an executive of FICCI, the Federation of Indian Chambers of Commerce and Industry, and at a recent meeting he told me they decided that for the first time they would issue a statement demanding better government.

The other reason really in a way why I think we might be able to be optimistic of course is because politicians now are realising that having a functioning government is a vote winner and they've seen that in the State of Bihar where Nitish Kumar rescued the administration from a state of where it was sometimes described as the realization of Marxism because the government had withered away, and basically he revived the government and in reviving the government he won two elections really very remarkably.

And this is being taken as evidence that unless you get your administration to function you will not be elected as a chief minister and you will not win a parliamentary seat, you will not necessarily win a seat in a state assembly.

So for all these reasons I am hopeful that maybe we are going to turn the corner.

Just before I finish, I want to go back to what I said in the beginning – the danger of India being seduced by what I call the India story and indeed the danger of everyone being seduced by what I call the India story – because there is a tendency in India – and some of you again will know this word '*jugaar*' – there is a tendency to believe in muddling through. It's a tendency which you can see happening everyday. It's a tendency some of you might have noticed at the Commonwealth Games where a week before the Games teams were threatening to pull out but somehow or other everything came alright in the end. It's a tendency which some of you who've seen that wonderful film, *Monsoon Wedding*, will remember was epitomized by the *tent wala*, a man who was putting up the tent for the wedding. Every half hour or so the anxious lady giving the wedding, the parents of the bride, would come up to the *tent wala* and say: 'There is no sign of the tents'. And the *tent wala* was smoking a cigarette hanging out of his mouth, mobile phone to one ear, would just turned to her and said: 'It will happen'. And of course in the end it did happen.

So India does have this tendency to sit back and expect things to happen and in part I think this tendency is explained by the fact that it has been through so many major crises and has always come out alright in the end – the crisis of partition where it emerged as a secular democracy; stable secular democracy

which it's proved over the years, assassination of prime ministers, Bhopal gas disaster, you could go on and on – and it has always come out.

So the danger for India as I see it is that it will continue to believe in *jugaar*, continue to believe it will come alright in the end and therefore we do not need to do anything about it.

And just to drive that point home, one very quick story of what happened to me on Mughalsarai junction when I was going on a very complicated railway journey, changing 5 times and at the first change at Mughalsarai junction I went up to the office of the enquiries and I said to them: 'Where is my train, there's no sign of it'. And the man said: 'It is indefinitely delayed'.

So I said to him: 'You mean this train is lost?' And he said: 'Well, if you like to say, yes - it's lost'. So then I started to explode and he looked at me with disdain and then he said: 'You see, you foreigners, you don't understand that this is India; there is another train which we have found and you can go on that one'. So it is that attitude.

If I could just end by saying that anything I have said should not be taken to mean that I do not utterly believe that India has the potential to achieve what BRIC economists say it is going to achieve and I do sincerely believe that even with *jugaar*, somehow it will continue on this path but it could go a lot faster, a lot safer and be a lot more certain of its destination. Thank you all very much indeed.