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Taiwan's floundering economy

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The Philippines' gold being plundered

## Racing ahead with Formula One

**S**INGAPORE'S hosting of the Formula One Grand Prix until 2017 is being received differently here, fraught as it is with cost-benefit factors that do not lend themselves to precise measurement. The race's cheerleaders point to the winning aspects of the event – a combination of clockwork efficiency, a Singapore trademark, and thrills. Spectators, whether in the stands or around the world, see not just the sleek cars but also the brilliant Singapore night skyline. The association can heighten the incalculable brand value and recognition of the nation. As the race and the place have what it takes to pique the interest of ordinary tourists, globe-trotters, managers and business

owners, those who might not have had any dealings with Singapore before might well be prompted to venture here.

Doubters, however, have asked if the city-state is getting as much out of the event as it should in hard cost-benefit terms. The event also inflicts social costs as commuters have to endure road closures and the inconveniences of barricades. Some businesses in the area lose money when customers avoid the place as the free flow of traffic is disrupted.

The race – which costs about \$150 million a year, with the Government paying 60 per cent – is said to more than pay for itself, with tourist receipts amounting to about \$150 million for each race weekend.

One study projects that Singapore stands to gain \$1 billion in net economic output over a decade and an equal amount from more tourism and investment.

Whatever the shade of opinion on Singapore's participation, there is no doubt that, on balance, the race is to Singapore what the Olympics and the Fifa World Cup are to their host cities, with the added advantage that it is an annual affair. A careful study was made before the decision to continue was taken. As with other economic bets of substantial value, the most helpful way to move forward now would be to take a long-term perspective and maximise the returns.

More here can capitalise on Formula

One's drawing power to help make September an irresistible time to be in Singapore. It takes a world-class event to create significant buzz and this can be churned to boost participation in other events held around the same time. Music festivals, shows and conferences can also ride on the the race, with the promise of an exciting time here for visitors over a longer period. Importantly, there is also a crucial need to introduce innovations into the race itself before other venues copy Singapore's night race concept.

Singapore is already well placed on the Formula One global map. Now, the event should be tapped for more economic spin-offs on the Singapore map.

## Is India heading back to 'Hindu' rate of growth?



BY INVITATION

By TARUN DAS  
FOR THE STRAITS TIMES

**F**OR more than five years, since 2003, and through the global financial crisis, it seemed the world, and its media, felt that India could do no wrong.

This was the power of 8 to 9 per cent annual GDP growth. Over the past year, the contrary is true. India can do no right as growth steadily declines to 6 per cent.

The question being asked by many is whether India is heading back to the "Hindu" rate of growth of 3 per cent which prevailed for several decades after independence was attained in 1947. And, if this is so, how will India deal with its huge young population, poverty and multiple other challenges?

There is no question that India's declining growth, corruption scandals, standstill in Parliament, delays in approvals due to environment and land issues, shortages of electricity and bottlenecks in infrastructure, among others, are dominating people's minds and media headlines in India and the world.

And there is no question that the challenges of turning around an economy in the midst of a global slowdown are enormous.

But are there any silver linings? Is it realistic to expect India to get back to, at least, 7 per cent growth levels? Or is the country facing an inexorable slide to the non-magical figure of 3 per cent?

The first issue relates to the rural economy, which encompasses 600 million people. They will want cellphones, TV sets and access to computers. Plus jobs and wages – under the Mahatma Gandhi Rural Employment Guarantee Programme. And benefiting from priority development projects both by the federal and state governments, especially the latter.

There is an invisible transformation taking place in standards of living, consumption and demand. The food consumption pattern, for example, has changed. That is not to say that hunger is not an issue. Of course it is.

But poverty levels have steadily declined and rural India is a new force for growth – a force which is of recent origin and making a huge difference to India's growth rate.

A side issue is whether official statistics are able to capture the data relating to the rural transfor-



mation. Probably, if most inadequately. Even the industrial economy data sometimes is inadequate in its coverage.

The second issue relates to the states. All the answers to growth no longer lie in Delhi. The answers, more and more, are to be found in states like Bihar, Kerala, Gujarat, Uttar Pradesh, Madhya Pradesh, Haryana and Orissa, to name only a few.

There are the traditional growth states such as Tamil Nadu, Karnataka and Maharashtra, and there are the emerging state economies of India which have a new appetite for growth and development, investment and employment generation.

If Bihar can turn around with good governance, as it has, any state can. This is an ongoing process, leading to inter-state competition for investment and resources. And many of these states are satisfied only with double digit annual growth rates, which are being achieved.

The third issue is innovation – moving away from incremental progress to new, out-of-the-box, creative solutions to developmental challenges. For example, energy. The answers do not lie only in coal-based thermal power plants of massive size and capacity. Work is going on to find a decen-

tralised solution which is also a clean energy option.

Another example is construction equipment, with the move from large machines of high capital cost to indigenously developed smaller machines of much lower cost which have the flexibility to operate in different terrains. These are just two examples.

There are, at least, another 50, all helping to change the development game in India, bringing growth in unexpected and unforeseen directions. Innovation is a new reality pushing growth.

The fourth issue is training and skills development to build India's human resource capacity. Illiteracy has been a major problem. The earlier bias, in some states, against the teaching of English has been another. Fortunately, this is now history and states are vying with one another for English language training, as well as training in information technology. These two areas, together, are seen to provide massive new job opportunities.

Similarly with retail business. Irrespective of foreign direct investment (FDI) in multi-brand retail, which is yet to happen, the towns and cities of India are full of malls, department stores and the best brands of India and the world.

This has brought boys and girls out of their rural backgrounds to new employment, fuelled by the ongoing consumption boom. It is a new source of growth.

The demographics of India are a challenge, but a challenge which is being met in many ways. One route is the option to be an entrepreneur whereas in earlier years the only option was a job, to work for someone.

The explosion of growth in the service sector has changed all that. And, the psyche of young Indians now is to be self-employed, to set up a business and to get on in life. This is a new phenomenon generating fresh employment across the country.

But human psychology and a nation's psychology are deeply connected. As India gets a beating in the world and is talked down, there is no doubt that self-belief and self-confidence get battered. And when there is so much to deal with, and with so many problems, the priorities can get mixed up.

Today, in the sharply divided political atmosphere of India, it has become almost impossible to pass new legislation. It can be done if there is leadership to build and sustain a bipartisan dialogue to work out acceptable compromises.

In the last few years, there is lit-

tle evidence of this happening.

Even the adoption of new policies is beset with differences and opposition. FDI in multi-brand retail is not going to change India much; its progress is being stymied by divisions between political parties.

So, what remains? Actually, a great deal. Instead of dissipating energies on what cannot be done, resources need to focus on what can be – which is execution and implementation of investments and projects on the anvil.

The public sector of India is still massive and has huge cash resources available for investment. These need to be expedited to create a spin-off effect through the economy.

The private sector which, today, occupies a central place in the economy, likewise has a pipeline of investment of billions of dollars. These need facilitation and early approvals.

Manufacturing, infrastructure, food and agriculture, services – all these sectors would benefit from a fast-tracked approach to private-sector plans.

The public sector and the private sector together can add 1.5 per cent to the GDP growth rate. They are ready and, over the past few months, the Government is engaged deeply in the work of fa-

cilitation and implementation. A third area for fast-tracked implementation is construction.

Anything and everything to do with construction. Roads, highways, housing, bridges, and so on. Construction alone can add 1 per cent to GDP growth. The agencies exist to get things done. The imperative is urgent.

So the doomsayers will have to wait for another time. India will deny them the vicarious pleasure of seeing a return to the "Hindu" rate of growth. More likely, India will return to 7 per cent annual GDP growth and that will make a huge impact.

The world wants India to succeed. All Indians want India to succeed. There is enormous goodwill for India and it will happen. There is nothing like a crisis to make the country act.

It's crisis time now. Underestimating this understated leadership would be unwise and shortsighted.

The writer headed the Confederation of Indian Industry (CII) for more than 30 years, stepping down as chief mentor in 2009. The CII has international offices in several countries, including Singapore, China and the United States. By Invitation features leading thinkers and writers from the region and Singapore.