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The INDIA POLICY FORUM LECTURE 2016

India and the Global Economy post Brexit

by
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Tuesday, July 12, 2016, 6:30 pm
India International Centre, New Delhi

New Delhi (Tuesday, July 12, 2016): Dr Arvind Subramanian, Chief Economic Advisor, Government of India delivered NCAER's **2016 India Policy Forum Lecture** on July 12, 2016 to an audience of distinguished economists, civil servants, industry analysts, media, and students at the India International Centre in New Delhi. Dr Subramanian spoke on India and the World Economy in the wake of Brexit and the upcoming US Elections. He also released NCAER's 2015-16 *India Policy Forum* volume on this occasion. The Union Finance Minister Shri Arun Jaitley also joined the lecture as part of the distinguished audience.

The 2016 IPF Lecture was part of the annual **India Policy Forum** economic policy research conference organised by NCAER with the objective of promoting rigorous research on Indian economic policy. The IPF comprises presentations of original commissioned papers, the annual conference leading to a published volume, and the annual IPF Lecture. A distinguished international Advisory Panel and an international Research Panel guide the IPF. The annual *IPF Volume* is the highest ranked economic journal out of India based on citation counts. The IPF enters its 13th year in 2016.

In introducing the speaker, **Dr Shekhar Shah, NCAER's Director-General**, said, *"This is the India Policy Forum's 13th year as we also celebrate NCAER's 60th Anniversary in 2016. We are especially privileged for the 2016 IPF Lecture to have with us Dr Arvind Subramanian, who in his position as the Chief Economic Advisor to the Government of India has perhaps spoken in one of the clearest voices in recent times on economic policy, both looking backwards with realism and analytical rigour and looking ahead with superb insights into the changing shape of global trade and finance."*

Dr Arvind Subramanian started his talk by complimenting NCAER and the IPF, and noted that, *“It is fair to say that the IPF remains one of the really big events in the summer season of New Delhi... It has produced over the course of the last 12-13 years a lot of good research on policy in India of which I have been an avid consumer.”*

In his IPF Lecture Dr Subramanian spoke about the implications for globalization of Brexit and other recent developments, and what they might mean for India’s prospects for sustained, rapid development and convergence with the advanced countries. He distinguished between periods of “post-War re-globalization” from about 1960 to 1990 and then a period of “hyper-globalization” from 1990 to about 2012, with the latter coinciding with what he called the phenomena of a “Weakening West” and the “Rising Rest”, with the latter obviously including India. He said that it was ironic that there was an inversion in the concerns on globalization: in the earlier period the anxieties were in the South around issues such as the “Washington Consensus”, and now the anxieties were in the North with the rising disenchantment against globalisation in both the US and Europe.

Looking at the developments over the past decade now culminating in Brexit and the rising tide of anger over globalization in the US, he noted that “hyper-globalization is dead, but long live globalization.” Clearly the world had moved. It is more than likely that “deep globalization”, such as immigration and labor mobility, even amongst equals, would be difficult to sustain. But it is very likely that “shallow globalization”, such as in ideas, technology, and even foreign capital, may be sustainable.

If there were to be limits on globalization, Dr Subramanian asked what the implications for India might be. Should India turn to domestic consumption-led (the “Make for India” approach) led growth? If not, will the current external environment allow an export promotion/globalization strategy? As Dr Subramanian put it, *“Can the world absorb another China?”* And finally, what should India do to pursue outward looking growth?

In the rest of his fascinating speech that held a standing-room only audience of more than 150 people at the India International Centre in rapt attention, Dr Subramanian shared his thinking on these three vital questions. He noted that domestic consumption-led growth of 8 percent was historically unprecedented and theoretically doubtful. So India should not just pursue a domestic-oriented growth strategy. If China’s rebalancing were to be successful and assuming that the world’s carrying capacity for services was larger than for manufacturing, then Subramanian felt that India could achieve 15 percent real export growth and sustained 8 percent GDP growth, not uniquely without an outward strategy, but perhaps differently from other countries with a combination of services and manufacturing dynamism that India can uniquely achieve.

Dr Subramanian concluded by noting that India and other developing countries have a strong incentive to keep global markets open and preventing a reversal of globalization, and that India’s rapid growth depends on it. This would require India to assume even more of a leadership position on globalization and perhaps even a revitalizing WTO and multilateralism. Quoting Keynes, Subramanian

observed that India must ensure that the “projects and politics of nativism and isolationism do not play serpent to the paradise of open markets and borders.”

About Arvind Subramanian

Dr Arvind Subramanian is the Chief Economic Advisor to the Government of India. He has been the Dennis Weatherstone Senior Fellow at the Peterson Institute for International Economics in Washington DC, and has taught at the Kennedy School of Government at Harvard and at Johns Hopkins’ School for Advanced International Studies. Subramanian has also been a Senior Fellow at the Center for Global Development and Assistant Director in the Research Department of the International Monetary Fund, and has served at the GATT in Geneva during the Uruguay Round of trade negotiations. His books include: *India’s Turn: Understanding the Economic Transformation (2008)*, *Eclipse: Living in the Shadow of China’s Economic Dominance (2011)*, and *Who Needs to Open the Capital Account? (2012)*. He has also published widely in leading magazines and newspapers, including *The Economist*, *Washington Post*, *New York Times*, *Wall Street Journal*, and *Financial Times*. He continues to contribute to one of India’s leading financial dailies, the *Business Standard*. Subramanian received his BA in Economics from St. Stephens College at Delhi University, an MBA from IIM Ahmedabad and an MPhil and DPhil from Oxford.

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Established in 1956, **NCAER** is India’s oldest and largest independent, non-profit, economic policy research institute. NCAER’s work cuts across many sectors, including growth, macro, and trade, infrastructure, labour, and urban, agriculture and rural development, human development, and consumers. The focus of NCAER’s work is on generating and analysing empirical evidence to support and inform policy choices. It is also one of a handful of think tanks globally that combine rigorous analysis and policy outreach with deep data collection capabilities, especially for household surveys. More information on NCAER is available on www.ncaer.org.

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The 2016 India Policy Forum Lecture is part of NCAER’s celebration of its 60th Anniversary

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