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As part of the *Café Insights* series of interviews with inspiring speakers, The Insight Bureau recently caught up with Suman Bery, an economist on India and global energy. Having recently returned to India following his time in Europe with Shell, I asked him about his views on the future of India's economy.



Andrew Vine (AV)

Well, hello, and welcome to another in the series of Café Insights. I'm Andrew Vine, CEO of the Insight Bureau. And today it's my pleasure to be in conversation with Suman Bery. How are you?

Suman Bery (SB)

I'm very well and pleased to be back in Singapore, Andrew.

AV

Great. Well, Suman is an economist based in Delhi -- visiting Singapore at the moment -- and he's spent time both in India and outside of India...

SB

That is correct.

AV

... for many years in India, and then most recently as the chief economist with Shell in the Hague.

SB

That is correct.

AV

So, what's keeping you busy these days?

SB

So, it was a decision on whether to return to India after Shell, and I decided to do so because I think it's a very interesting moment here for the Indian economy and also that's where I'm from. So, two things; one is I'm very interested in the theme that I've written about a lot in the past, which is India's fitful embrace of globalisation and the global economy; and the second is that Shell, in addition to my global role, gave me really a very generous opportunity to write a book on Indian energy. And India is energy short, like Japan and Korea. If it grows fast, as I think it will, it's becoming an important player in global energy. Indeed, this town -- Singapore -- is really quite important for India as a source of energy products, etc. So I'm really using India's energy future as a lens to think about how India engages more vibrantly with the world.

AV

All right. Now, you're also a non-resident fellow at Bruegel, which is a think-tank in Brussels.

SB

That's right.

AV

You're also a senior fellow with MasterCard Center for Inclusive Growth. So, you spend quite a lot of time actively thinking about the international economy.

SB

Yes, about, I would say, emerging markets. What you didn't mention, and perhaps it should be in my CV, is I've also been a member of the steering group of something

called the Emerging Markets Symposium that meets annually in Oxford, which thinks about social welfare issues.

If I could just take a minute, Andrew, I think we are at an interesting cusp. So, when I first got to India in the early 2000s, the emerging markets looked unstoppable, okay? So, convergence, to use the economist term, was considered a forgone conclusion. Along came the 2008 financial crisis. The emerging markets did well for a while then they seemed to stumble. So, then there was a period of revisionist thinking which basically said, "No. We got it all wrong." It was just an accident. And China, about the emerging markets, in a sense, will be dogged by their failures again, India included.

We are now, because of the world economy is back, to a moment of optimism, at least in the investor community. People like a Mark Mobius, etc, are saying the moment for emerging markets is back. So, I think that thinking about how the emerging markets are likely to fare in response to the retreat from the globalisation in the advanced countries, and new opportunities and constraints represented by climate change, what's happening in global energy, renewal energy, these are fascinating issues that my four years at Shell helped me think about. And so I am thinking and working on those things.

AV Right. Because you were talking earlier and your belief is that India's future prospects are heavily linked to its energy strategy.

SB So there are lots of people who argue that India's growth depends on its energy. I would put it differently: Growth in any large emerging market really does depend on domestic policy and the impact of domestic policy on what economists call productivity. That then drives demand for energy. But if you get the energy piece wrong, then it introduces sand in the machine. So I'm not going to say that energy is a miracle drug. What I'm going to say is that it's something that all emerging markets have thought hard about because it can become a constraint. Going back to a time when Japan was an emerging market, South Korea was an emerging market, these, like India, were resource short, but they came up with an industrial strategy that allowed them to manage the energy piece and still become manufacturing powers. That's the nature of the challenge for India today. And that is going to require to engage with the global trade, global economy, in the energy world in a way that they've shied away from up till now. And may I say, I think, as I've said once before, Singapore's role in this could actually be quite important because for Asia, Singapore has emerged as an important energy hub in trade.

AV Yes. And I think, with a lot of focus being on China, I think-- well, when you go to Hong Kong, you're somewhat eclipsed by the whole power that is on the doorstep with China. And Singapore does have the space. So think a little bit about ASEAN and South Asia. So it is a natural hub geographically as well, I think.

SB Well, absolutely. And I think that going back to Lee Kuan Yew, I think that Singapore has invested a lot of time and diplomatic resources in being even-handed. You may know that Prime Minister Modi invited all 10 ASEAN leaders to our Republic Day summit for them. So I think India is certainly signalling that ASEAN in particular matters to it despite the much more muscular approach of China in this region.

AV Well, I was going to ask you as well because it is typical for people around the world to be comparing the two major economies of Asia -- China and India -- and you might get a little frustrated by continually being asked this question, I don't know. But, I

mean, it seems like China's growth has been at such a rapid pace that's it's left India behind. But how do you view the rate that India is progressing?

So the very long sweep is that India and China have, as far as we know from economic history, always been at about the same level of per capita income, but that was in an age where modern growth was unknown. So I'm talking about till the 1820s. Now, it is also the case that if you had compared India and China at the time of the Cultural Revolution and the Great Leap Forward, you may have taken a different view from what you're taking right now. I think it was well expressed by a very insightful development economist who's now at Harvard but used to work for the World Bank, Lant Pritchett, who-- in trying to answer your question, he said, "Look. There's an issue of sequencing. India has put a lot more energy into developing a political system which is sustainable and does not face a so-called discontinuity." Now, the counter to that would be that South Korea, Taiwan-- these are countries which started off with an authoritarian style of politics, grew fast with that, and then made a very successful transition to democracy.

So democracy is vibrant in Taiwan, democracy. So I think the point really is that India-- it is amongst the fastest growing economies over the long run, and we know that. It is only eclipsed by China in the last decade. And yeah, I think that to make a judgment of 20 years even on the basis of the last 10 is to lose perspective. I remain an optimist. And I think that the apparently shambolic nature of India's progress is in some ways a strength. It gives it a resilience against China's brittleness. That would be my view as an Indian. Maybe I am too optimistic.

AV

No. It's good to hear that you are optimistic. I mean, which of the-- as we finish up here. If you look at the different sectors within the Indian economy, where do you see the bright spots? I mean, I think perhaps the financial services sector and something about the new high-tech sectors. But are there others?

SB

Well, in some ways, those are failing sectors. So what we are engaged in is the search for the new growth impetus. I know that Prime Minister Modi is laying a lot of store on labour-intensive manufacture. I think that that should happen, will happen, but will happen not by force-feeding the sector but by having intelligent policies of other kinds. So I do think that India will always be more successful in services than it will be in manufacturing. But I think that domestic infrastructure, domestic housing-- I mean, there's just such an-- and, of course, domestic consumption because we do have this middle class. So I think it's going to be less trade-driven, more domestic-consumption-driven. But in all of this, a big asset of India, and which is only now becoming exhibited in China, is its entrepreneurial tweak. So as [inaudible] demand exhibits itself, I think there'll be no shortage of people to exploit. I think that's a big strength. But it also means that picking winners is likely to work less well in India than it did for China and Japan. We're not that kind of society.

AV

Very interesting. Well, Suman, thank you very much for spending a bit of time.

SB

Andrew, I appreciate the time.

AV

It's a pleasure to see you.

SB

Yes, and thank you. I mean, I've enjoyed our association over the past so many years. I look forward to continuing with you.

AV

Lovely. Terrific. Thank you very much.

**Suman Bery is a speaker and advisor on India's economy and global energy.
He is a non-resident Fellow at the international think-tank Bruegel,
and was formerly the global chief economist with Shell**

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