News Release

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Consensus Building Will Unblock India ' s Path to Growth

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- More must be done to communicate objectives of reforms, panellists said in the opening of the World Economic Forum on India.
- After rapid economic growth, development remains hampered by political opportunism and expediency.
- Removing rigid labour laws and revitalizing manufacturing will create jobs in the organized sector.
- India needs to " reboot its constitutional balance " , ensuring aspirations of the poor are addressed.
- Learn more about the meeting: http://www.weforum.org/india

National Capital Region, Gurgaon, India, 7 November 2012 – After an economic surge, why is India stuck with a 5% growth rate? There is no mystery, declared Gita Gopinath, Professor of Economics, Harvard University, USA, in the opening plenary of the World Economic Forum on India today. Three decades after they were introduced, India still does not have consensus on economic reforms. Not enough has been done to communicate the objectives of the reforms, which have often been introduced in response to international ratings.

India ' s challenge, Gopinath said, has been balancing equity, inflation and fast growth. To embark on a new growth path, India needs to create consensus on reforms, revitalize the manufacturing industry that will create better jobs in the organized sector, and remove rigid labour laws.

The Indian government has consciously adopted a model of faster inclusive growth, said Ashwani Kumar, Minister of Law and Justice of India. He added: " Indian democracy needs to reboot its constitutional balance. " It needs 9-10% growth to address the aspirations of all people, including those on the margins of society. With some corrective measures improving transparency, he hoped India would reach a 7% growth rate soon.

India ' s current crisis is largely due to the lack of " confidence and comfort " Natarajan Chandrasekaran, Chief Executive Officer and Managing Director, Tata Consultancy Services, shared what he believed has gone wrong with the growth story and what can be fixed. He said the government failed to gain the trust of industry, largely due to its inability to deliver on economic targets and projects.

Panellists mostly agreed that political opportunism and expediency often come in the way of rapid growth. " We are paying the price for democracy, " said Rahul Bajaj, Chairman, Bajaj Auto. However, he emphasized that though there are problems with a democratic setup, he believes in it wholeheartedly. Crony capitalism has worsened the existing situation. Political reforms, he suggested, can address the crisis at a fundamental level.

Paul Bulcke, Chief Executive Officer, Nestlé, Switzerland, and a co-chair of the World Economic Forum on India, emphasized that more than rebooting, India needs to " redo " . " It needs to start doing things, " he said. He attributed India ' s current crisis, among other reasons, to sheer gravity. It is big and carries the weight of rich traditions and is pitted against a fast-moving world. India, he said, knows what needs to be done; it just needs to show more courage for transparency.

Besides creating an enabling environment for business, India needs to guarantee that reforms reach all and benefit all. A high rate of economic growth has to go along with an equally high rate of poverty reduction.

Notes to Editors

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