

Speech by the Prime Minister of the Netherlands, dr. Jan Peter Balkenende, at the Indian Institute of Science, Bangalore, India, 18 January 2006

The Age of India

Ladies and gentlemen,

It is a great pleasure to be your guest here today. The Indian Institute of Science has long been a leading research institute, with a reputation for excellence. For nearly a century now, it has been a consistent source of knowledge and ideas. Many leading scientists have worked here. I am honoured to address you today.

I would like to share a few ideas with you on a subject that unites us all: innovation.

I do that with a certain humility as I am aware that India has more than four thousand years of experience as an innovator. At a time when the Netherlands was little more than a marsh, India had modern cities. With their architecture, water management and trade, the cities of India were among the most sophisticated in the ancient world. So you have a long tradition of innovation.

It is no wonder that your country has always attracted foreign trade partners. That includes the Dutch. In the seventeenth century, India was a very important hub in the Dutch East India Company's network. The traces of that period can still be seen along the Indian coast.

The shipping routes of the past are the digital networks of today. In the seventeenth century, international contacts proceeded at a speed of seven knots. Nowadays, millions of megabytes flash around the earth every second. Bangalore is no more than a mouse click away from Amsterdam.

Virtual communication is wonderful, but nothing beats the real thing. So I am delighted to be here, at the heart of the Indian IT industry.

My visit to your country is one of the outcomes of the visit by Prime Minister Singh to The Hague in late 2004, for the EU-India summit. Our talks were not only very pleasant but also frank and constructive.

An important conclusion was that India and the European Union are natural partners in this dynamic, multilateral world. And that there was every reason to improve and build on our relations.

I should like to give you my views on the role innovation plays in our relationship. Not only in our economic relations, but also in addressing a number of other issues. Too often, we speak about innovation only in economic terms. But it covers far more.

I shall also look at what the Netherlands is doing to prove its worth as a knowledge society, and what we can do together to make sure that we continue to lead the field in the twenty-first century.

Ladies and gentlemen,

Philips, the Dutch multinational, regards India as one of the main centres for technological expertise. That says a lot. Your country is indeed very special. India has put in a wonderful performance. In less than fifteen years it has developed into one of the most attractive economic partners in the world.

What is India's secret? When Hans Wijers, the CEO of Akzo Nobel, the Dutch chemicals giant, returned from a visit to your country, this is what he said.

"It doesn't matter whether you are talking to senior management, or with young people straight from university. They are all very self-confident and determined that India will be one of the strongest growth centres in the world for decades to come."

I think that mentality is the driving force behind your success. Indians are enthusiastic and ambitious. They radiate self-confidence and they invest in themselves.

Prime Minister Singh once said that India's real comparative advantage lies in 'skilled, yet affordable' labour. Skilled, yet affordable. It is not just the affordable

wages that make India so interesting. It is the knowledge and skills of the Indian workforce, *combined* with competitive wage costs.

UNCTAD ranks India among the top five most attractive countries for investors. The Netherlands is the third largest investor in your country. Business people are enthusiastic about the opportunities your country offers.

Companies like Philips, Shell and Unilever have been active here for many years. They were the pioneers. Many have followed in the past fifteen years. More than a hundred Dutch companies now have branches in India. And more and more banks and other organisations are outsourcing their IT services to Indian companies. Few Dutch people realise that their salaries and mortgages are increasingly being processed in India.

Some people in Europe are concerned about India's success. They are afraid that it will result in fewer jobs and less prosperity in their own country.

I am convinced that their fears are unfounded. It is nearly two hundred years since the British economist David Ricardo came up with his theory of comparative advantage. Since then we have known that international trade brings benefits for everyone. Provided everyone uses their strong points as well as they can.

Openness and free trade are not dangerous. Protection and isolation are. The history of our countries proves that. The Netherlands is the sixth biggest exporter in the world. It holds that position thanks to free trade and open borders. India only got off the ground when it opened its doors to the world, and linked its market to the world economy. The company Infosys really took off when it started to meet international standards for transparency and accountability.

We have done a study in the Netherlands to find out exactly how many jobs have been lost because activities have been moved to other countries. The conclusion was: far fewer than we thought. Only one to two per cent of job losses in the Netherlands are the result of outsourcing to cheaper countries. At the same time, new jobs have been created by foreign companies locating in the Netherlands. I am

proud that more and more Indian companies are among them. Mittal Steel and Tata Consultancy Service, to name two.

Ladies and gentlemen,

We are competitors and partners at the same time. That makes us both stronger. By challenging each other and keeping each other alert, we can maintain and boost economic growth.

That is of the utmost importance. We all know that India is a country of sharp contrasts. A country with booming cities and an ambitious space programme. But also a country in which half of the population works on the land, and where hundreds of thousands of people have the greatest difficulty making ends meet.

India has succeeded in releasing many people from poverty in the past fifteen years. That is a world class achievement. But to *eliminate* poverty, its economy will have to grow by eight per cent every year for the next twenty years.

We can only create that growth by continual innovation. Innovation is of vital importance. Not only for our economies, but also for our societies as a whole.

And it is essential for us to work together.

Look for instance at energy supplies. India is home to a sixth of the world's population. Yet it only has 0.8 [nought point eight] per cent of the world's oil and gas reserves. You are often faced with energy shortages. That makes it even more important for you to come up with innovative solutions. The Netherlands is also working on them. With innovative technologies and materials we are improving energy efficiency. And we are producing some impressive results.

For example, we developed a greenhouse that does not *use*, but *supplies* energy thanks to the use of residual heat from the soil.

I am also pleased to say that we are working more closely together in applying wind and solar energy. The Netherlands is among the front runners here, and is now developing a wind farm in the sea.

Another challenge we share is to improve the quality of the environment. In India's cities in particular, air, water and soil pollution are a very great problem.

We know in the Netherlands how difficult it is to make the move to a sustainable economy, where growth does not take place at the expense of the environment. For densely populated countries like the Netherlands and India, that is of the greatest importance.

Late last year, two Dutch companies were contracted to install LPG tanks in four million vehicles in the Calcutta area. LPG is much cleaner than other fuels. These Dutch companies are also working with their Indian partners to convert nearly fifteen hundred petrol stations so that they can supply LPG. This is a good example of an innovative partnership from which the environment will benefit.

A third area in which innovation is needed is farming. More than half the people in India work in this sector. Farms are usually small, and the people working on them are poor. They produce for their own consumption. A big problem is that about forty per cent of the harvest is lost. If the farming sector is to have any future, a lot will have to happen. Productivity will have to increase by introducing new seeds and cultivation techniques. Storage and distribution will have to improve. Food safety will have to be guaranteed. All this calls for innovation.

The Netherlands can assist. We are one of the most innovative farming nations in the world, with leading research institutes grouped around Wageningen Agricultural University. Wageningen is one of the world's leading education and research centres for plant, animal, food and life sciences.

Innovation also plays a key role in the health care sector. People want to live long, healthy lives. How do you help them to do so? And how do you keep the costs down? The problem we now face in the Netherlands is that the population is ageing.

That is not a problem here in India. But you are faced with the enormous challenge of providing 1.1 [one point one] billion people with good health care services. And you cannot have good health care services without continual innovation.

Ladies and gentlemen,

I have argued that innovation is the key not only to economic success, but also to addressing social issues. Innovation is more than high tech. It is also creativity and daring. And the ability to look beyond borders and enter into new partnerships.

I am happy to say that we are seeing more and more Indian-Dutch partnerships. I am convinced that the Netherlands and India can help each other, as equal partners, in many fields.

Take, for example, the close cooperation between the Indian Ministry of Science and Technology, Wageningen University and Amsterdam Free University in the field of biotechnology.

Contacts are growing in the health care sector too. X-rays from patients in the Netherlands are now often analysed in India. Tomorrow, a large delegation from the Dutch care sector will be arriving in Bangalore to explore ways of working together more closely.

The Netherlands has a great deal of know-how that India could find useful. Two per cent of the world's knowledge is generated in the Netherlands. Its research is of a very high standard. Publications by Dutch scientists are among the most frequently cited in the world.

The Netherlands pursues an active policy to promote innovation. The question we have asked ourselves is: what are our strong points? In which areas are we major league players? Where can we really make a difference?

We have long been leaders in the field of water technology and water management. That is hardly surprising in a country that is mainly below sea level and located on one of Europe's biggest river deltas.

Food, chemicals and high tech systems are among our key industries. They are also of great significance for India.

Information technology is important in every sector. We invest more than any other EU country in ICT. That is the reason why the Netherlands has maintained its leading position in transport and logistics.

The Dutch believe that it is not up to the government to tell people how they should stand out from the rest. We want to encourage knowledge clusters to develop their own self-organising capacity. Because we are not talking here about individual companies or universities. We are talking about strong partnerships, operating at world level.

A country's ability to innovate is largely determined by the strength of public-private partnerships. The Netherlands has a number of Leading Technology Institutes in which the business and research communities have pooled their resources, with the help of the government. Our aim is to develop knowledge that responds to a need and is put to good use. The OECD has praised this model, regarding it as an international best practice.

Ladies and gentlemen, we are living in a fast-changing world. What can we do to increase our chances of lasting success in the twenty-first century?

You probably know what Thomas Friedman wrote in his book *The Lexus and the Olive Tree*. He listed four fundamental changes that are typical of our time. Our success depends on how we respond to them.

The first change is the democratisation of technology. Thanks to computers and the Internet we all have an office, a bank, a library, a school, a cinema, a debating hall and a department store in our home.

The second is the democratisation of finance. Large and small investors are continually looking for the best place to put their money, anywhere in the world.

The third is democratisation of information. That is something I need not discuss at length, here in the heart of the Indian IT industry. As I said before, Bangalore is only a mouse click away from Amsterdam.

The fourth is the democratisation of decision-making.

I should like to look at this change in more detail. In the past, companies and organisations were run by their bosses. Top down. Management had the strategic information, and decided which course to take. A matter of “follow the leader”.

But that model no longer fits the bill. Managers these days cannot oversee all the activities of their organisation. Organisations operate in dynamic networks, with a series of partners. Crucial information can be found throughout, from top to bottom. Success now depends on *team work*. On sharing power and decision-making.

That calls for independent, well educated people who are not afraid to take responsibility. And it calls for a culture which gives people space and freedom, and encourages creativity and personal development. In other words, it calls for ‘social innovation’.

India is in a perfect starting position, certainly as far as human capital is concerned. This is an open, free, democratic country. It is the biggest democracy in the world. Of course, that sometimes gives rise to problems, as we all know. But still, people are at liberty here to develop their creativity, opinions and natural curiosity. They are at the root of innovation.

As Prime Minister Singh has said, “Public debate and dissent are a source of strength for us, not weakness”.

India is well on its way to becoming an economic and political world power. All the signs are on ‘go’ for your beautiful country.

But we should keep in mind that in the twenty-first century no one has a free ticket to success. That applies to both Europe and India. We will have to work hard to realise our potential.

Freedom, stability and tolerance are all important conditions. And so is an inspiring business climate. That is where there is considerable room for improvement. Europe and India are fighting the same tough battle. The Netherlands and the European Union are working hard to cut the red tape, to clear obstacles to trade and to make the job market more flexible. The same issues are on the agenda here.

We also share a focus on education, research and development, and knowledge transfer.

I have listened very carefully to urgent calls from research institutes in India and the Netherlands. They want a solution to the obstacles facing students and knowledge workers from India and other countries who want to come to the Netherlands. I agree entirely that obstacles like these have no place in a knowledge-based economy. I assure you that we have given this issue priority and that improvements have already taken place.

Ladies and gentlemen, the European Union is India's main trade and investment partner. Our relations grow in importance year by year.

That is wonderful. But for me, India and the European Union are more than economic partners. We are friends with the same vision of the future, and we want to work together to achieve it. Freedom, openness and cooperation are central to that vision.

A little over a year ago, during the Dutch EU Presidency, India and the EU entered into a strategic partnership – with good reason. And it is with good reason that the Netherlands gives priority to its relations with India.

We believe in your country. We want India to be strong. We cannot deny that India faces problems. But India has the will and the strength to overcome them.

We make excellent partners because of the differences between us. We each have our strong points and we complement each other. That makes cooperation so interesting.

India's day has come. To the benefit of hundreds of thousands of people in this country who deserve a good life. And to the benefit of the rest of the world. We can only gain by a strong, free, open India.

Mahatma Ghandi once said, "You must be the change you want to see in the world". I have always found this a very inspiring idea.

And it is typical, I believe, of the mentality of this beautiful country. It is a mentality that appeals to the Dutch. Changes do not simply happen. You have to make them. I know that together we can make a big difference.