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Cities Are India's Future

There is enormous potential waiting to be unlocked in the country's urban areas

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The wave of urbanisation that is sweeping across India represents one of the country's greatest opportunities as well as one of its most serious challenges.

According to the report on 'India's Urban Awakening' by McKinsey Global Institute, in the next 20 years, India will have 68 cities with a population over one million – up from 42 today. That is nearly twice as many cities as all of Europe. India's urban population will increase from 340 million to 590 million. To put it in global terms, about 10% of humanity will reside in Indian cities.

There is room for this sort of demographic change. Only 30% of Indians live in cities, in comparison with 74% of Germans and 82% of Americans.

And the change holds great promise for India. The McKinsey study predicts that Indian cities could generate 70% of net new employment, produce more than 70% of Indian GDP, and quadruple the national per capita income. Best of all, these new, modern cities could create an enormous increase in the number of middle-class households. It is estimated that 91 million urban households will be middle class by 2030, up from 22 million today.

Without question, successful urban development represents India's best opportunity to maintain its current economic momentum and to achieve a prosperous, dynamic future.

But urbanisation in India poses an urgent and difficult

challenge, too often characterised by widespread poverty, poor urban infrastructure and environmental degradation.

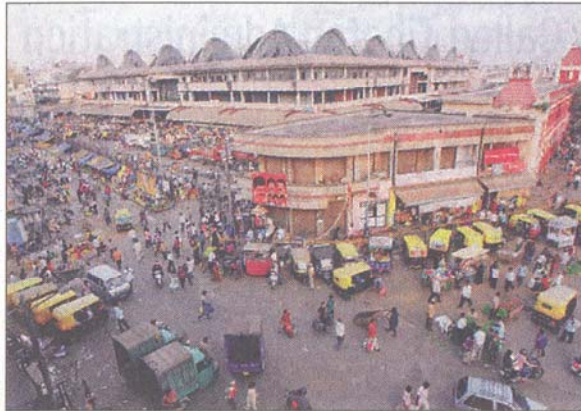
India's existing megacities are already suffering from a lack of sufficient infrastructure investment. Where China is spending Rs 5,132 per capita on infrastructure annually, India is spending just Rs 752. A developed country like Germany has the capacity to produce roughly 1.7 kilowatts of electricity per person; India's capacity is about 0.15 kilowatts.

India must address the current problems of urban decay, traffic gridlock and a deteriorating quality of life for many of its citizens. It must also address the

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enormous capital investment of roughly five trillion (or five lakh crore rupees) required over the next 20 years to meet the projected infrastructure demands of creating the more viable, more livable cities of tomorrow.

Those demands include creating billions of square metres of roads, over 7,000 km of subways and metros, endless sewage and water systems and so much residential and commercial space



Time to choose: goldmine or wasted resource?

that it is equivalent to building two cities the size of Mumbai every year.

It is an enormous challenge – yet it is a challenge that can be met with adequate resolve. Well-conceived cities will not only improve the quality of life for India's citizens, they will attract investment, grow the tax base, unlock new growth markets, create a much larger, stronger middle class, boost India's GDP and generate a huge increase in average national income.

Recently, chairman of the Association of Municipalities and Development Authorities Noor Mohammed said, "The chances of success in developing efficient and sustainable cities in India are much higher when synergistic partnerships are evolved to deal with these challenges."

This is true. Many industrialised nations have trod this path

before and could play an active role in helping to meet India's urbanisation challenge – through investments, trade, economic partnerships, new industrial development. Germany hopes to be one of those synergistic partner nations.

That is because Germany and India are natural partners, with shared interests, strong commercial and strategic ties and a long history of cultural and economic relations.

Today that partnership is stronger than ever. Germany is India's largest trading partner in Europe and fifth largest customer and exporter to India. Trade volume between the two countries exceeded Rs 1.9 lakh crore in 2010. That number is expected to climb by 70% over the next two decades. And together the countries are engaged in fruitful partnerships in many areas of

research and development in science and technology. The most recent example is the Indo-German Max Planck Centre at IIT Delhi, which was inaugurated last February by former German federal president Kohler.

German Chancellor Angela Merkel is now in New Delhi to meet with Prime Minister Manmohan Singh in advance of the 'Year of Germany' that will begin in India in September, marking 60 years of good relations between the two nations. Next year, a 'Year of India' will be held in Germany.

Trade will clearly occupy a good deal of the meetings between the two heads of state. That is good news for everyone involved. Only by maintaining high rates of economic growth, trade and technology transfer can India ensure that the urbanisation of its vast population will take place smoothly and successfully. And Germany's more developed, if somewhat smaller, cities will only maintain their vitality by continuing to participate in the global marketplace for goods, ideas and culture.

The strong business relationship and friendship between India and Germany will provide one of the synergistic partnerships that will help India seize the opportunity to create the good, clean, livable cities of tomorrow – cities that will allow its citizens to live happier, more prosperous lives and that will enable India to fully realise its enormous economic potential.

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