

## India : Isolation to Integration

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The world's attention has turned to India in a very positive sense, a far cry from the disbelievers of the 80s and the doubters of the 90s. From disbelief to doubt to a definite view (too simplistic?) that India has “made it”! India is emerging, moving ahead. Unfortunately, there are no straight lines in India. India's evolution is like a Bollywood movie full of twists and turns, song and dance, tragedy and happiness. This is because India has every complexity and challenge that any country can experience – name it and India has it. And, there are no simple solutions.

The difference today is the emergence of the private sector and entrepreneurship from the shadows of 1947 – 1991 when the economy was micromanaged and regulated to a new environment where space, opportunity and trust have taken precedence, enabling a new engine of growth to evolve. Prof. Sugata Bose of Harvard has an interesting comment that the 1947-1991 period was actually an aberration in India's history because India, for countries, was engaged with the world.

44 years of “Isolation” is one way to describe 1947 to 1991 when FDI, trade, competition, consumer choice etc were largely non-existent. In the first twenty years of this period, the basics were being put down, be these institutions of higher learning and research or heavy industry. Essentially a time of government leadership and implementation, both of policies and projects. Private sector existed, of course, but were “bit” players, certainly nowhere near centre stage.

1991 saw the change in direction driven by economic crisis. FDI, Trade, Competition, consumer choice etc emerged but between 1991 and 1996 growth doubled from 3% to 6% GDP and it was funtime for everyone. But, the new environment had hardly taken root when 1997 – the South East Asian situation – brought Indian Industry crashing to earth.

What followed was salutary. The instinct to survive. Restructuring. Struggle. Downsizing. All of this happened between 1997 and 2002. Concurrently, the pain of competition a la Chinese and Southeast Asian imports with lower tariffs built a pressure to slow the opening of the economy. The Chinese organized their first ever Trade show in Delhi enabling Indian business to see, to understand, to learn, to engage!

If 1991 to 1996 represented “Integration Phase 1”, and 1997 to 2002 “Integration Phase 2”, then “Integration Phase 3” began in 2003 and continues. Phase 1 gave India and Industry a glimpse of a new world. Phase 2 helped corporates to understand that hard work was involved – there was no easy ride – laying the foundation for phase 3.

Phase 3 sees the private sector in new clothing. Feeling good. Turned around. Competitive. Confident. A growing comfort with globalization and the pressures of competition. Aggressive. Investing abroad. Acquiring companies. Selling companies. A 2- way street.

Phase 3 also sees new ambition and aspiration hitherto unknown since 1947. 3% to 6% to 9% growth and thinking of 10% and beyond. Disappointed if corporate results do not exceed 30% growth year on year. So, a new benchmark. New heights to vision. New dreams.

Indian manufacturing looking very different. Fear of China, ten years ago, replaced by investment in China in partnership with Chinese enterprises. And, this competence extends beyond the “ big boys” to midsized companies. Pharma. Auto components. Forgings and Castings. A variety of products coming out of Indian Industry to a very different cost and quality framework. Another dimension – small business accessing Japanese manufacturing practices to enhance quality, competitiveness and achieve scale.

Phase 3 also sees explosive investment and expansion in the Services Sector going far beyond IT and Software, which was the first, in the 90', to carry the Indian flag globally and give self esteem and self – confidence to Indian Industry. Today, healthcare, Tourism and Hospitality, R&D, engineering, maintenance, accounting, legal, media, advertising, etc all show huge growth and are globally connected.

50 years, 1947-1997, were years when, by and Large, Infrastructure was a government domain in terms of ownership, control and management. A culture of shortage had evolved as well as a culture that Infrastructure was free. In the last ten years, halting steps were taken towards engaging the private sector in Infrastructure. Mistakes were made. Learning happened. Today, the private sector provides leadership in telecom, ports and airports. The Railways have started outsourcing some activities and services. A few power projects are also operating. The scene is different. 'PPP' – public private partnership is the new buzzword, complex and challenging, but, happening steadily.

Phase 3 of Integration is also witness to another new phenomenon. While the competitiveness agenda is ongoing, the resources now available with industry are also being used for social programmes and projects. Primary education, public health, HIV/AIDS, emergency services, Environment , Skills training, micro enterprises, affirmative action, and so on. Industry and the voluntary sector (NGOs) are working together in a new civil society partnership, supplementing government programmes.

Phase 3 has also brought to the front women leaders and managers of great competence, commitment, values, integrity, team – oriented. They are adding a new dimension to India's social, industrial and economic development. Earlier,

women led Education Institutions and NGOs. Today, they are also leading corporates in increasing members and doing so successfully.

So, there are several positives in the Phase 3 for India, Indian private sector and entrepreneurship. A specially welcome feature is the multitude of young people taking to self – employment, driving their own business, often in the services sector. And, they, in turn, are providing new employment opportunities to many others.

At the same time, the challenges are increasingly tough. Poor public services, delayed justice, corruption, Maoist violence, poverty (300 million +), primary education weakness, inadequate health facilities, shortage of clean drinking water, unemployment, underemployment, unemployable people, procedures, politics, complex society (the disadvantaged, the minorities) and many others. Each of these is imposing in itself. Together, these can sink a country.

But, there are two new factors as India looks ahead at integration – Phase 4.

The first is consciousness. There is full awareness of the challenges. And, each of these are being tackled. This is not a 100- meter race. It's a marathon – cum – steeplechase. But there is full awareness. And, the process of dealing with these issues is an ongoing effort though not as strong and effective as required. In particular, the urgency is often missing. This consciousness will only grow because India lives concurrently in the 19<sup>th</sup>, 20<sup>th</sup> and 21<sup>st</sup> centuries and this cannot so on forever without social disruption and disaster.

Second, confidence. This is the new sense in India. The new feeling. Perhaps, because of the economic upturn which appears sustainable. Perhaps, also because of the energy, excitement and enthusiasm of the young (500 million under 30 years?). They are driving change. Plus Technology – IT, Telecon, Television – connecting people from the remotest areas – creating new solutions to intractable problems. The Diaspora, the corporate sector, NGOs are all engaged increasingly in building confidence and action. The IT sector has to be given the credit for soft-confidence and self-esteem in India, amongst Indians, since the 90s. This confidence has spread through the manufacturing and services sectors.

So, Consciousness and confidence will help shape a different future. And Integration Phase 4 is likely to include:

- ) further stepback by government, giving more space to enterprise and Public Private Partnership and creating a stronger enabling environment for growth;
- ) a national skills movement to transform human resources into employable assets.
- ) a more responsible private sector driving growth and supplementing social development (in partnership with NGOs).

) Strengthening of institutions in every section of Indian society to reinforce civil society's role in India's noisy democracy.

) New, creative, innovative ways and strategies to deal with the challenges (of today and tomorrow)

And, finally, an average of 10% GDP growth annually over the next 10-15 years as 600 million people inexorably and steadily join the mainstream of Indian's economy and society, changing the shape of India's future.