

Making India Globally Competitive

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Executive Summary

The fast-paced economic and political changes across the world are forcing India to be more globally-oriented. This paper traces these global changes in a historical perspective and examines how India can be integrated into the global economy. It discusses the primary growth engines at different phases of the world growth cycle and suggests the main area around which there is a need to reengineer the country for global competitiveness. While Western Europe and the US/Canada engineered the 18th and the 19th century growth respectively, the author sees the large emerging nations as the 21st century growth engines and purchasing power parity (PPP) as the new measure of economic growth.

As India integrates into the world economy, there is a need for it to reposition itself as a country. From the domestic-oriented, self-sufficient license raj, it has come a long way to become a globally-oriented economy focusing on those key sectors of the economy where it has a resource advantage over other nations. The objective is to offer better products at lower prices. Exports to the most demanding markets, after all, are the key to success for a globally competitive economy. To achieve this objective, India needs to reengineer itself in the following areas:

- *Industrial policy* through ideology-free policy; privatization of public enterprises; incentives for quality; innovation and productivity; employment through growth; intellectual property rights; and environment policy.
- *International trade* through convertible currency anchored to dollar; target exports to selective markets; balanced trade with anchor partners; and focus on selective exports based on comparative advantage.
- *Domestic industry* through industry consolidation for scale efficiency; globalization of domestic markets; investment in quality and innovation; process reengineering; and reduction in unorganized sector.
- *National infrastructure* through upgradation of transport and logistics; information infrastructure capital markets; financial institutions; special economic zones and energy reliability.

Of these, domestic infrastructure is the weakest link. The Indian industries must reposition themselves from the diversified domestic corporations to focused global enterprises. To be a global hub, they need quality and reputation and must, therefore invest in design and research, create brand equity, increase productivity, leverage human capital, get access to low cost capital, and organize global supply chain. The author concludes with the following observations:

- India is destined to become a major economic power in the 21st century.
- India's future, however, will depend on the geo-political realignment of nations and the emergence of 'triad' markets.
- Design is a very strong competitive advantage for India.
- Public enterprises should not be disinvested and should instead be encouraged to go global along with the private enterprises not just through exports but through mergers and acquisitions.
- The Indian industries must reposition themselves from the diversified domestic corporations to focused global enterprises. ▼

KEY WORDS

Global Competitiveness

International Trade

Global Supply Chain

Economic Growth Engines

Triad Power

Purchasing Power Parity

More than 15 years ago, when I was working with the Government of Singapore as an economic adviser for future positioning of Singapore, I began to understand that the world is changing enormously and that it will have its obvious impact on India. Singapore was aspiring to be a global hub for manufacturing because, right after its formation, it had developed the Jurong Project which turned out to be enormously successful. The British Navy had left the entire infrastructure there before abandoning the country and Singapore leveraged the infrastructure by inviting manufacturing into a Special Economic Zone (SEZ). It worked like a miracle. But, by the late 80s, I was asked to look into the vision for 2000 and my recommendation was:

Do not focus on manufacturing because you have no resource advantage in manufacturing. There is no cheap labour any more nor is there natural resource or raw material that will invite manufacturing to Singapore. Also, there is no large, domestic market because Singapore has only three to four million people. You must become a distribution country and hub for four kinds of flows: flow of products, people, money, and information.

Singapore overbuilt its seaport so that all shipping companies will hub there. Also, it overbuilt the Changi Airport especially for the air traffic from Australia to Beijing which was just about emerging. For flow of money, Singapore did not have many native sons or corporations to create a stock exchange (public equity); so, it emulated the Swiss model by encouraging private equity market to hub in Singapore. Finally, Singapore invested in technology infrastructure through the National Computer Board (NCB) and the Singapore Telephone (SingTel) to make sure that the city always stayed high-tech from the point of view of infrastructure and that anybody who wanted to put up any kind of automated integrated office could do it. They are now adding two more flows: flow of education and flow of culture.

Similarly, as India gets integrated into the global economy, it will have to reposition itself as a country. Since Independence, it has been developed primarily as a domestic-oriented, self-sufficient, self-reliant license raj. It thus dabbled into all sectors of the economy: agricultural, industrial, services, etc. The new India has to become more and more globally oriented. It should also focus on certain key sectors of the economy where

it has a resource advantage compared to other nations of the world so that it can be globally competitive, for example, the cut diamond industry. India is the largest diamond-cutter in the world and is likely to continue to lead not just in diamonds but also in gems and jewellery. India also has a very large dairy industry and is, in fact, the largest producer and consumer of milk-based products. There is a whole lot of opportunities for India to become a sourcing nation in due course of time, not only for domestic consumption but also for the global market. Let us now discuss why and how India is likely to get integrated into the global economy.

GLOBAL INTEGRATION OF INDIA

Economic Growth Engines

If we look at the growth of the world before 1800, all the economic growth came through Western Europe. Industrial revolution was making its impact and Europe was enormously expanding. After the collapse of monarchy and the evolution of democracy, most monarchs decided that they would not enter into private business due to political unrest and persecution. Prior to this, the government owned and operated most of the businesses; now it allowed shipping and railways to be in the private sector. For the first time, wealth also got democratized. Rather than wealth coming from nobility to nobility, wealth could now be created by entrepreneurs. In the 19th century, when the world ushered in the golden age of globalization, the theory that was most popular was not the one propounded by Adam Smith in *The Wealth of Nations*, but that of a second British economist, David Ricardo, who strongly advocated (and the British followed the model) the theory of comparative advantage—even if you can make a product cheaper in England, you should not do it if you can add more value with your resources. You are better off buying from other countries even if it is more expensive because you have better alternatives for your resources such as capital, knowhow, people, land, etc. He advocated that Great Britain should buy bread from Spain and Portugal and supply to them machinery for making bread, even if it could make bread cheaper than Spain or Portugal. This was a win-win situation. In other words, trade is a better engine of economic growth. Ricardo was perhaps the first economist to champion what we call ‘outsourcing’ today! According to him, England is at such a level of excellence that it should not be making agricultural-

based products like bread. In fact, it should let Spain make the bread and allow it to compete with domestic suppliers by opening up the market. At the same time, England can move on to make something better, say machinery, and export it to Spain - products that it can make but Spain cannot and *vice versa*.

This is how the British economy became global. In fact, there has never been globalization in the world historically except for the British Empire. It literally encircled the whole globe starting with the East India Company. The US benefited enormously due to outsourcing by the Europeans—they bought raw materials like iron, coal, cotton, etc., from America. The British also outsourced the manufacturing of two major industries: textile and steel, steel to America and textiles to India. This is one reason why even today India has a very large textile industry and America became one of the largest steel producers in the world. The British invested in seaports and railroad infrastructure for trade and economic activities—everything worked. America also began to outsource manufacturing after the Second World War which enormously benefited politically aligned nations like Taiwan, Korea, and Japan.

The next growth engines are likely to be large emerging nations and this is the reason why the world is noticing India for the first time. In my view, the 21st century will be driven by economics and not by ideology as was the case in the last century. World War I and II and the Cold War were, in fact, all ideology-driven wars. The outcome of the 21st century will be determined by the relationship between the three large emerging super economies—India, China, and America. Why are people watching India much more now as they were watching China earlier? There is a new report published by Goldman Sachs called *BRIC: Brazil, Russia, India and China* out of which India and China are the more

immediate economic growth engines of the world.

New Measure of Economic Growth

The new measure of economic growth is purchasing power parity (PPP) not per capita income; the latter historically widened the gap between emerging and advanced countries. If we take the new PPP measure of economic development—which the IMF, United Nations, and the World Bank have come up with to really motivate the private sector for investing private capital—the US is still number one with 10 trillion dollars, while China is already number two. China began the journey as a number four player, surpassed Germany and even Japan and is, in fact, now number two in world ranking. India was declared number five according to this ranking; it is number four now and, would probably be number three within five years as its trade with the rest of the world expands rapidly (Table 1).

What is PPP? In simple words, we take a basket of goods and services as a measure of standard of living and estimate how much wages we have to earn in one country versus another. The currency exchanges are artificial and the real buying power is determined by whatever we can buy locally in local currency. For example, in India, we can afford a driver while in the US, it is impossible to do so unless the company pays for it. In India, we can afford to have a maid at home; in the US, it will not be possible at all. On the other hand, it is much more expensive to buy an appliance or a house in India. Under the PPP measure, India is about six times cheaper than America, even though the currency difference is 44 times. So, currency exchange underestimates India's buying power. That is the logic. The weights are assigned to make sure that they take into account inflation and a number of other factors. This index is accepted by most of the investment bankers.

The Triad Power

On analysing the state of trade as of 1987, it was found that 75 per cent of the world trade was concentrated in 15 countries: 12 common market countries, US, Canada, and Japan. In fact, Japan is a late entrant to this economic club after World War II. Also, 70 per cent of the world's GDP was concentrated among these countries in what is referred to as the 'triad power' (Figures 1a, b, and c). All these 15 nations have one key problem: they do not have any economic growth. The reason is ageing population. One major issue for them and, in fact, all

Table 1: Position of World Economies in Terms of PPP

USA	\$10.0 trillion
China	\$ 6.0 trillion
Japan	\$ 3.5 trillion
India	\$ 2.6 trillion
Germany	\$ 2.1 trillion
France	\$ 1.5 trillion
UK	\$ 1.5 trillion
Italy	\$ 1.4 trillion
Brazil	\$ 1.4 trillion
Russia	\$ 1.3 trillion

Figure 1a: The Triad Power

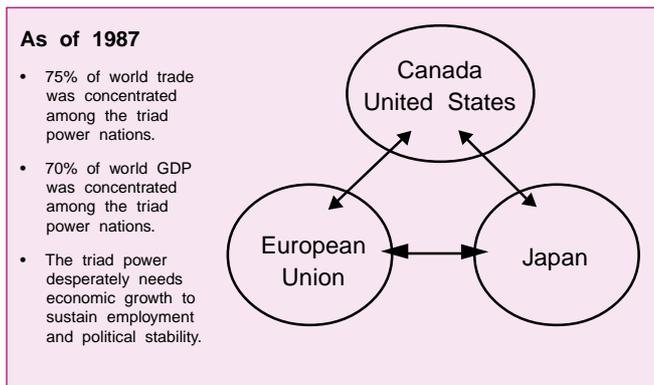


Figure 1b: Evolution of the Triad Power: First Round

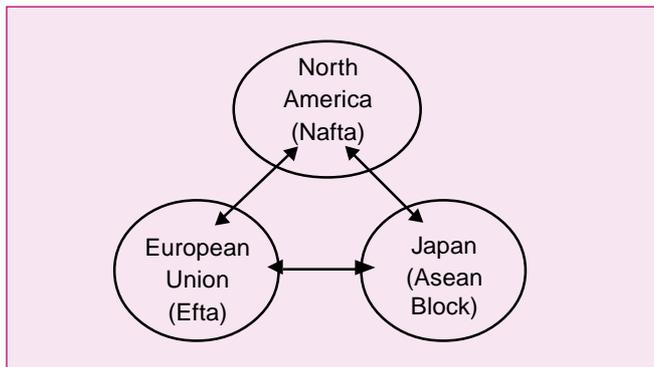
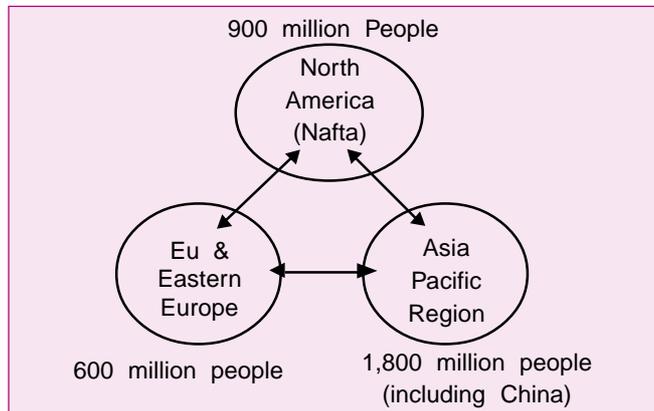


Figure 1c: Evolution of the Triad Power: Second Round



over the world, primarily among the advanced countries, is that of ageing population. Sweden is the oldest nation and has reached a point of no return. They have to import citizens to increase the population. Japan is the second oldest nation and also has the highest life expectancy. All of Japan's public money goes into health care, pension funds, and education. In fact, Japan is very worried about its future. Unless it creates growth in its economy, the new revenues may not come and the obligations will rise.

ECO-POLITICAL DYNAMICS OF GLOBAL COMPETITIVENESS

If we do not have economic growth, what happens to jobs? And if we do not have jobs, what happens to politicians in a democracy? They will also be out of their jobs! All of a sudden, politicians have realized that what matters to voters is not ideology so much as economics. This shift seems to have happened right after the energy crisis in the late 70s. Canada, for example, had a government with a majority of 298 parliamentary members. Canadians were suffering economically: the Canadian dollar had devalued enormously against the American dollar. It used to be a lot more than one American dollar but it dropped to 65 cents, less than half. All the imports into Canada became expensive for some years because they were now paying almost twice the price due to currency difference. Canadians got fed up and finally threw the party out. Only three out of 298 got elected again! People thought it was a Canadian problem. But it was not so. In fact, George Bush senior was the most popular President of the US following the Gulf War in 1991. He was even more popular than Ronald Reagan. But, in 1992, the country had an economic recession and he was gone. Bill Clinton became the President of the US, survived four more years, and got re-elected despite his personal indiscretion, simply because the economy was doing well.

This is not just an American problem. In England, John Major lost the election and Tony Blair came in. Helmut Kohl, the long-lasting survivor of the leadership of the German economy was gone because he made the fatal mistake of integrating East Germany with West Germany on an equal footing. Unemployment in Germany shot up from less than two percent to 10 per cent. Voters took their anger out and the government collapsed. The same thing happened in France and Japan. In fact, Japan's steady one-party rule since World War II was replaced with a succession of new governments and new prime ministers almost on an annual basis.

People vote simply by their stomachs and by their wallets. If it impacts their wealth or their jobs, they would vote one way or the other. This creates political uncertainty and if there is a political uncertainty, private capital goes underground. The advanced countries, therefore, formed the G7 (and now the G8) and decided that their journey must be aligned with the emerging nations which are the future growth engines of the world.

Europe created the European Union by integrating North of Alps countries with the South of Alps because countries like Spain, Portugal, Greece, etc., were the future growth engines. That alignment has not worked for them so far due to enormous structural and incumbent barriers. The US responded immediately by creating NAFTA which includes Mexico which is likely to surpass China as the second largest trading partner of America due to outsourcing of manufacturing to Mexico. The outsourcing theory of the US is to supply to Mexico as much as it buys from it; it is a balanced trade.

The European Union is driven by a coalition of the German and the French economies—the German being the anchor large economy and the French supporting it despite their past historical relationships. That is the new reality and both of them have pushed the British out from the power base. That is why they toppled the British pound; there was no need to create a Euro currency: the British pound could have represented the European Union economy but in that case, Bank of England would have dictated the monetary policy of Europe and not the Bundesbank of Germany which Germans did not agree to.

The British are, therefore, not welcomed in continental Europe even though they are a part of the European Union. They, therefore, seem to have decided to align with the Americans. In fact, the most popular Vice President the US ever had is Tony Blair! The US actually has more than \$660 billion of investments from British firms including the mergers of BP with Amoco and Arco in the oil industry or Vodafone's investment in Verizon Wireless. The country allows mergers of British and American companies relatively easily. The next wave would be in the financial services sectors such as banking, insurance, and brokerage which will push British investments in the US economy easily to more than one trillion dollars. Its cumulative impact would be massive.

Japan began to take its capital out of America. The country found that after the energy crisis of the seventies, America had become anti-Japanese. Japan was taking over industries such as consumer electronics, automobiles, and watches. Timex used to be the largest watch-maker. Suddenly Seiko, Casio, and Citizen took over the watch industry of America. As the US began to resent Japan's dominance of the US market, Japan decided to take its capital out of the US and invest it in the ASEAN countries—Malaysia, Thailand, Indonesia, and Singapore.

Thus, three economic blocks are getting organized. The world is not globalizing; it is regionalizing, giving rise to economic wars among these three blocks. These blocks will grow and expand. For example, Europe is extending to Eastern Europe. Just as America is likely to create growth for Mexico, Japan is in the process of becoming the growth engine for China. The degree of alignment that is now taking place between China and Japan is fascinating. Bilateral trade is booming mostly through outsourcing and, we believe, Japan's economy will now finally get revitalized after more than two decades of economic stagnation through this alignment with China. The memories of World War II are giving way to welcoming trade and tourism between Japan, China, South Korea, and the ASEAN countries. The US in response is now moving further south towards Central and Latin America including the Caribbean islands and the big Latin countries such as Brazil, Argentina, and Chile, a total of 34 nations called the FTAA—Free Trade Agreement of the Americas.

While the US, through its economic boycott, forced South Africa to abandon the Apartheid Policy which resulted in Nelson Mandela as the first black President of the country, it is really the handful of Dutch and German families which control the economy of South Africa; and, they are more comfortable with the Europeans and less with the Americans. They believe that the continental European approach to democracy and capitalism is better than that of the Americans. Similarly, we believe that all of the Arab block from Morocco, Algeria, Libya, Egypt to Afghanistan will end up aligning with the Europeans and not the Americans.

Central Africa is a no man's zone—if a dictator or an elected official says he is for market reforms, everybody will rush as if there is a gold mine. Today it may be Kenya, tomorrow it will be Nigeria, and thereafter Ghana. It is, therefore, hard to predict where they will end up in economic alignment.

Russia is likely to align with the European Union (EU). Gorbachev wanted alignment with the British and the Americans. However, when Yeltsin came to power, he began to steer the Russian economy towards the Germans and the French. Putin is definitely going to continue this despite all apprehensions expressed by the media. We just have to look at the growth in trade between Russian and the European Union.

Australia decided several years ago when John Button was the Australian Minister of trade and industry,

that its future in the 21st century lies with China or the Chinese diaspora. This is why they opened up immigration to the Chinese despite being a very restrictive country earlier. The largest university in Australia is Monash University in Melbourne with a campus on the west coast. It has more than 70,000 students of which 60 per cent are international students mostly of Chinese origin. There is no university in the world that has such a large percentage of foreign students. Economic axis of Australia is changing from East-West to North-South. It is the same way with New Zealand.

Finally, coming to India, I believe, India has no choice. It is basically by default that India has ended up in one of the blocks. SAARC is a small element — it is too small to really manage the potential of such a large economy. Although there are a lot of small countries, these big blocks are the key ones. In my view, India is likely to align with the US. Surprisingly, the alignment is primarily military even though early expectations were that it would start on an economic basis. It is very much like Mrs Gandhi cementing the relations with the Soviet Union in the early 70s. Once there is a military alignment, it cannot be disconnected for generations; it is a 25 to 50 year cycle.

The question is: why would America be militarily so much interested in India? There are two theories. The publicly stated theory is that of terrorism—the Al Qaida and the Bin Laden factor—a problem that is common to both the countries. A second and probably more realistic theory is that China is emerging as the largest economic power. China does not need America anymore. There is nothing that the US can do to stop China from becoming an economic superpower, especially now that Japan is the second largest economy outsourcing to China. But, what is more interesting is that China is also heading to become the largest military power in the world. China sent a man into space to send an explicit signal to the world that they can do it themselves and they do not need American technology. China is escalating its military capabilities; it has the strength in both strategic and tactical weapons. That is why America is not able to contain China. And this has led to its alignment with India. The assumption is that if India aligns with America, it would be capable of balancing the power *vis-à-vis* China.

Against this backdrop, then, how does India become globally competitive in terms of its products and services? I believe, the market will be steered. For example, I had

forecasted more than a year ago that the dollar will be deliberately kept low against the Indian Rupee. This is because the biggest problem with India is imports not exports. We import enormously to create value added products and services such as petrochemicals and information technology. We do not make them yet nor do we have enough industrial raw materials or petrochemicals to support economic growth. The country needs a lot of investment for infrastructure industries and we will continue importing for the foreseeable future probably from the US or the dollar economy countries because it is cheaper than the Euro or the Yen.

India's biggest purchase since Independence has been in defence—India always being a major buyer of arms. There was a time when India bought openly from France, Germany, and some other countries, but eventually, it began to buy from Russia on soft currency.

No nation has become an economic superpower without strong exports. However, it is important to note that exports to the most demanding markets are the key to success and not the way we exported in the past. In fact, as international trade grew, our share of the world trade shrunk enormously; it was, roughly, one to one-and-a half per cent of world trade at the time of Independence, but went down to one-tenth of one per cent in the early nineties. Fortunately, it is rising again and is almost one per cent now and should go on rising enormously as India anchors to the global economy. To succeed in the most demanding markets, one must be globally competitive and not domestically competitive, and, global competitiveness means better products and services at lower prices. It is a very simple model. If you offer superior products at lower prices, the world comes to you. And that is probably how we will have to organize our economy to compete globally.

REENGINEERING INDIA FOR GLOBAL COMPETITIVENESS

In order to reengineer itself as a nation, India would need to focus on four major areas:

- **Industrial policy** through ideology-free policy; privatization of public enterprises; incentives for quality, innovation, and productivity; employment through growth; intellectual property rights; and environmental policy.
- **International trade** through convertible currency anchored to dollar; target exports to selective markets; balanced trade with anchor partners; and

focus on selective exports based on comparative advantage.

- **Domestic industry** through industry consolidation for scale efficiency; globalization of domestic markets; investment in quality and innovation; process reengineering; and reduction in unorganized sector.
- **National infrastructure** through upgradation of transport and logistics; information infrastructure capital markets; financial institutions; special economic zones; and energy reliability.

It is very important that the industrial policy of the nation should be less ideology-driven. The socialistic pattern of society needs to be abandoned and the movement should be more and more towards a market economy with the typical good, bad, and ugly consequences of capitalism. Interestingly, the public enterprises provide the biggest opportunities. This includes SBI, LIC, ONGC, SAIL, and a lot more. They will all aspire to become global enterprises through trade and investment. In fact, the Indian government has given signals that it would encourage major industrial houses and public sector enterprises not just to export but also to invest in the world economy. We need to also provide incentives for quality innovation and productivity because that is how we would become globally competitive. Since employment comes through growth, it is a key platform. No matter which party comes to power, this course is now set for the economy. We would agree on intellectual property rights and environmental regulations on a global basis not only to attract foreign investment and outsource R&D in India but for India to generate its own intellectual capital for the world.

Similarly in the area of infrastructure—the key elements are capital markets and financial institutions. Our capital market is surprisingly pretty good but the private equity market needs to grow. Unfortunately, Indian banking is not yet where it needs to be. We simply have too many banks. One of the key problems with India as an economy is that everything we have is either small scale or there is no scale at all. In moulded luggage, we have three major brand names—Safari, Aristocrat, and VIP—controlling just 35 per cent of the total market share while 65 per cent is all unorganized and unbranded. Similarly, in PC business, Wipro, HCL, Zenith, and other brand names control only about 51 per cent. The rest is all in the unorganized sector for which we have no scale. There is not a single company in Indian that

can ever fulfil Wal-Mart’s requirement of eight billion dollars of textiles which they are keen to buy from India. Therefore, we have to consolidate India companies through mergers and acquisitions to enhance domestic scale in order to become globally competitive. This seems to be the key differential advantage for Chinese enterprises as compared to Indian enterprises.

To really become a trading partner with the major advanced countries, it requires a whole set of changes. The highest trade within a block is in Europe at about one and a half trillion dollars. NAFTA is about \$800 billion and the ASEAN block, which is about \$850 billion, is likely to grow very fast because of the alignment between Japan and China. NAFTA will thus be under pressure to grow more and more by aligning with countries like Brazil and obviously India.

Unfortunately, India is identified as a cheap goods country like Japan was after World War II and Korea was until recently. They have all moved up to become the best value countries (Figure 2). Therefore, we must offer high quality goods but at competitive or lower prices. Software, cut diamond, and movies are getting better quality-wise, and the prices are still low. That is why they are growing in terms of global market share. However, this does not seem to be the case in granite and marble while it is clearly true for industrial components.

HOW TO BE GLOBALLY COMPETITIVE?

We need to address the following vital question: Why are the heavyweights of India so lightweight globally? I believe, it is so because we have not aspired to be global or have global orientation. To compete globally, we need to have a global orientation (Figure 3). There should be no export quality versus domestic quality; it should all

Figure 2: Global Repositioning of India

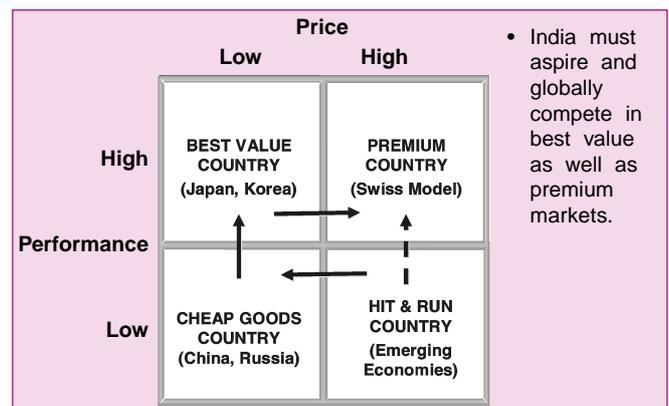
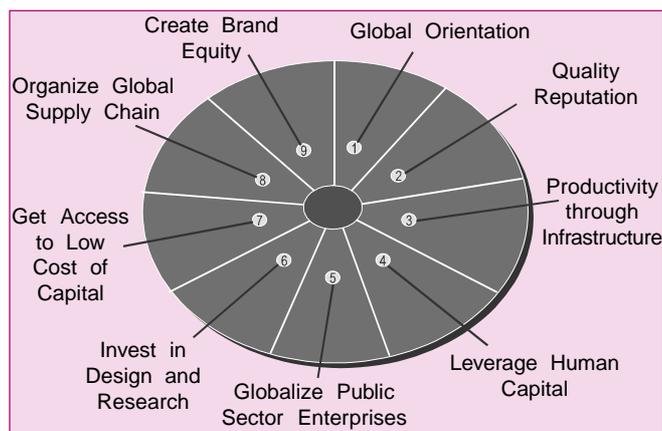


Figure 3: Competing in the Global Market



be the same quality. In fact, there are several Indian brands that could very soon become global. Amul is one of them. On one of my visits to the Amul Cooperative in Gujarat last year, I had suggested that it could sell Amul not just for ethnic Indian population on a global basis but also to the mainstream non-Indian population. Within two months after I planted the idea, it got a contract signed with Wal-Mart and Amul is now ready to be sold in the Wal-Mart stores for the first time. One needs to have quality reputation in order to reach such markets.

Another aspect is productivity which will primarily come through infrastructure and automation and not through labour. Leveraging the human capital comes next. The biggest advantage is that we are resource rich; we have a land mass, and a very big animal base. In fact, 25 per cent of the world's cattle is in India. And, of course, we have a very large, talented human capital, not just in IT, but also in the hospitality industry, nursing, teaching, R&D, engineering, medicine, management, and in many other areas. These are the world class people that could be utilized on a global basis and capitalized on. But we need to do value-addition, whether it is an agricultural, industrial or a knowledge economy. If we take, for example, a grain of wheat and make it into a loaf of bread, the value addition is about 20 times. If we take a rough diamond and polish it, it is about 40 to 60 times. In the case of human being, the upside of value addition is infinite. We can command any price as many talented Indians do abroad. We have a lot of talented people whose potential needs to be realized through leadership and motivation. My excitement is that we can now leverage our human capital.

One of the key areas that India has talent in is

design. This country can become one of the largest design and R&D centres for the world. For example, Bangalore is likely to become the aerospace capital of India. Electronics will come in this country but at the high and not at the low end; less in the consumer electronics and more in military electronics. In fact, ISRO and NASA are likely to engage in joint research and exploration. The US Navy which starts in Okinawa and terminates in Singapore now will start in Singapore, go through the Indian Ocean, and terminate in Gibraltar. The Indian Navy will become a strategic partner to the US Navy. Indeed, joint exercises are taking place right now between the Indian Navy and the US Navy. The buying needs of the Indian Navy are estimated to be at least \$200 billion worth of modernization including ports, armaments, ships, etc. We will buy about \$20 billion a year, roughly for about ten years. This suggests massive opportunities for other countries to do business with India.

We now have access to the foreign capital by listing companies in foreign stock exchanges and with foreign investment coming into the country. However, our supply chain is very weak. So, global supply chain will have to be organized. We have identified at least 12 major industries where India will be a global supplier. Textile is one of them; components parts, pharmaceuticals, software, and films are among others. In fact, most of the American pharmaceutical companies have more or less decided not to invest in tropical diseases because they feel it is a no-win situation for them. Affordability is the main issue; if they charge high prices, they get into social criticism. Therefore, they want India to do it. Since we have pricing advantage in this regard, we are likely to develop, discover, and design drugs and therapies for tropical diseases of the world. And, of course, the last thing we need to create is brand equity. I think the Indian brand equity will emerge only if we offer better products at lower prices so that our brand names become globally respected just like Korean brands are doing right now. Samsung, for example, is a world class brand name. People know Korea because of Samsung. People know Japan because of Toyota and Sony. That is how we need to motivate our industrial houses: to really think global and compete globally. It is indeed heartening to learn that many large, private, and public sector enterprises are now becoming serious about global markets and global branding. I believe, we also have enormous potential in many family-owned

niche companies that can add branding and packaging to become globally accepted and respected.

In my opinion, the public sector enterprises should not be disinvested; instead, they ought to be incentivized or encouraged to go global as fast as possible and not just through exports. If Mittal Steel can become the largest steel company in the world, it is conceivable that many Indian public and private sector companies can, through mergers and acquisitions, aspire to become global competitors. In fact, this will become a necessity to protect their domestic market.

CONCLUDING REMARKS

India is destined to become a major economic power in the 21st century. Its success, however, is dependent on the geo-political realignment of nations.

India needs to reengineer itself with respect to its industrial policy, international trade policy, domestic industry policy, and domestic infrastructure. Of all this,

domestic infrastructure is the weakest link. The Indian industries must reposition themselves from the diversified domestic corporations to focused global enterprises. An industrial house like Tata cannot fight 50 fronts of open competition. It was a great model in licence raj, but not in a globally competitive economy. Therefore, they have to choose their battles selectively. In fact, Aditya Birla Group seems to have already decided that they will not be everything to everyone but focus on certain core businesses and go global.

To be globally competitive, Indian industry needs to invest in quality and reputation. A casual approach is just not acceptable anymore whether it is global branding or domestic branding or design and research. Design, in fact, is a very strong competitive advantage for India, probably even more than R&D and global supply chain. It is very likely, however, that India will become a global R&D hub as well as a nation for global sourcing. ♡

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*Neither a borrower nor a lender be;
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry.
This above all: to thine own self be true,
And it must follow as the night the day,
Thou canst not then be false to any man.*

William Shakespeare – Hamlet