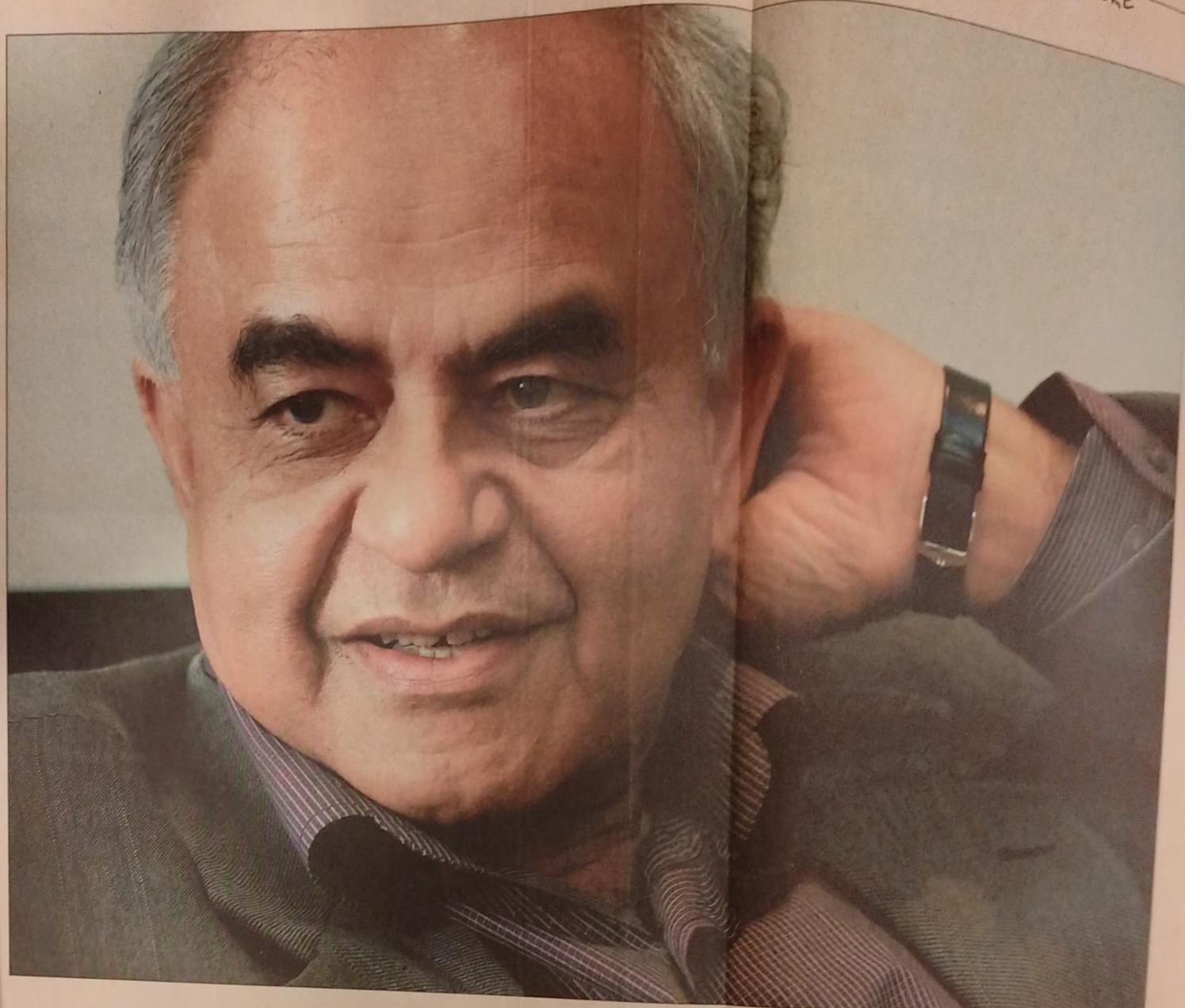


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- 50

4 THE RAFFLES CONVERSATION

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Cheerleader for India's reforms

I had to make a business card and write something under my name," says renowned Indian author and commentator Gurcharan Das. "It would be 'cheerleader for India's

In 1995, this former CEO of India and Southeast Asia of Procter and Gamble decided to quit his job after a 30-year career with the consumer goods giant and devote himself full-time to writing.

"I asked myself, 'How long can an adult look at the market share of Vicks VapoRub and Pampers?'" he said during our conversation at the Singapore Civil Service Institute, where he was to deliver a lecture. "So I felt time to do something else. The economic reforms were taking place in India and I was very excited by that."

Mr Das has since established himself as one of the canniest observers of India's economy and society, writing three non-fiction books including the highly acclaimed 'India Unbound' in 2000, which was translated into 7 languages and turned into a BBC documentary. He has also written a novel and three plays, one of which was performed off Broadway, as well as scores of articles and essays.

Having studied moral philosophy at Harvard, Mr Das has a knack for synthesis, drawing on multiple disciplines – history, economics, ethics and sociology – and mixing them together with a strong dose of practical corporate wisdom.

He has been a consistent and eloquent proselytiser for India's economic and social reforms, debunking various myths put out – often for political reasons – by opponents.

One of them, for instance, is the idea that India's reforms and modernisation are leading to Westernisation and are therefore unwelcome.

"There is a lot of confusion about this," he points out. "For instance, some people in the BJP (the Bharatiya Janata Party, India's largest opposition party) think modernisation equals Westernisation. But they forget that 100 years ago, the West was also pre-modern. The category of modernity is very different from the category of Westernisation. Modernity stands for liberty and equality of human beings. It's a universal category. It has nothing to do with eating McDonald's hamburgers or drinking Coke. That may be Westernisation. But it's not modernisation."

He concedes, though, that to the extent modernisation is associated with economic openness, it will entail a degree of Westernisation. "But that goes back to how secure you are and your self-assuredness."

He explains that for many Indians, Westernisation is more a means than an end. "In 'India Unbound', I wrote about a young boy in Tamil Nadu who said he wanted to be Bill Gates. He was a low-caste, 14-year-old boy. He was earning 450 rupees a month – about \$514 – waiting on tables. In the evenings he would get on his bicycle and go to the neighbouring village to take computer classes. He told me he had discovered the secret of success. I asked him what it was and he said, 'I

need to learn 400 words of English'. I asked, 'Why 400?' He said, 'Oh, to pass TOEFL (The Test of English as a Foreign Language, a prerequisite for US university admission)'. "So that's the attitude to the English language – this is just another skill, for God sake."

Mr Das adds: "I don't worry about the effects of foreign investment either. It brings in managerial and technological skills. And Indians are quite happy to take all that technology without losing their souls. Whether because of its religion or its society, India is a very rooted culture."

Talking about foreign investment, many foreign companies have found the going tough in India. Even iconic brands, such as Coca-Cola, did not find it easy taking on Indian competitors, and in some cases (like Coko), were forced to buy them out. Mr Das's own company, Procter and Gamble, did not have an easy time of it either, competing against low-cost Indian manufacturers of so-called "fast-moving consumer goods" like soaps and detergents.

"In any country with a strong tradition of entrepreneurship, a multinational company will always find it has a battle on its hands," says Mr Das. "If you give Indian entrepreneurs half a chance, they are quite capable of becoming very competitive."

"And where does this come from? I know we are always negative about the whole issue of caste. But caste can also be very positive. We have had a merchant caste for thousands of years. Now the merchants have had lots of problems, but one thing they know is how to accumulate capital. So when you open an economy and you have a large group of peo-

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ple who really know how to accumulate capital, it's a big advantage.

"If you look at the Forbes billionaire list, you might be surprised to see that two-thirds of the Indians on the list are 'banias' (traditionally India's merchant caste). So for India, having a merchant caste is a national competitive advantage." (Indeed, most Indian billionaires, including the Ambani brothers Mukesh and Anil, the steel tycoon Lakshmi Mittal, telecom magnate Sunil Bharti Mittal and the metals mogul Anil Agarwal, hail from the merchant caste.)

In the future, Mr Das believes India's entrepreneurs will increasingly focus their attention on manufacturing.

"What will drive India to become a manu-

facturing nation – I don't like to use the word 'power' – is the SEZ policy," he points out, referring to the Special Economic Zones that are now proliferating in India and where more business-friendly laws and regulations apply.

"Kamal Nath (India's Commerce Minister) may not realise it, but he has let the genie out of the bottle. And now, what the SEZ policy is doing is creating world-class infrastructure. It is a flawed policy in some ways. There did not have to be so many financial incentives, for example. There should have been open bidding for SEZs. And some SEZs are too small."

"But life is never perfect. And often, the perfect is the enemy of the good. So it's better to have a second-class policy that's in the right direction than wait for a first-class policy."

"So 10 years from now, we will no longer be describing India as the back office of the world and China as the shop floor. Both will resemble each other more. Services are going to come up in China and manufacturing will come up in India."

But despite some convergence, the two countries operate in totally different ways – and will continue to do so, says Mr Das. "The two systems are very, very different, so there are limits to what each can take from the other," he explains. "It's very easy for people to say, let us have the infrastructure of China. But in China, the government can say 'We want a road', and it's built in one year. In India, it takes five years, because people go to court, they want to protect their property, they want to be compensated, which slows things down. That's one factor."

"China also has a different history. There were the emperors, the mandarins, there was more discipline. In India, every village thought it was independent, no matter who ruled in Delhi. I remember a Catholic lady once asked me, 'Don't you have a hierarchy the equivalent of your church in Hinduism?' I said, 'No – first of all, there is no equivalent, and then every village priest in 500,000 villages across India believes he's the Pope.'"

The ineffectiveness of government in India is a particularly pressing problem. Mr Das has often spoken out in favour of private provision of services such as health and education. He sometimes gets flak for that.

"Some people ask me, 'Are you a neo-liberal? Are you suggesting a minimalist state?' I say, it's not an ideological issue. If the state provided good education and good hospitals, who would be against it? My position is, who cares if it's public or private? We want good schools and hospitals."

But he concedes that making the state more effective is one of India's more urgent challenges.

"Frankly, it is not going to be as easy as economic reform," he says. "For a start, it would help to have a stronger leader. China was lucky to have Deng Xiaoping. England had Margaret Thatcher. These leaders made enormous changes in their societies. Unfortunately, we can't wait to have a Deng or a Thatcher. We have to live with whoever our democracy throws up."

One crucial administrative reform, he suggests, would be to reward people in government on the basis of performance rather than seniority – and without fear of favour.

"Today, we have a situation where one out of four primary school teachers in government schools just doesn't show up," he says. "The Secretary of Education should be hauled up and asked, 'Why are your teachers not showing up?' It's an issue of the secretary's performance."

Mr Das is hopeful, though, that India's increasingly demanding middle classes will assert themselves and make a difference.

He explains: "In 1980, India's middle class was only about 8 per cent of the population. Today it's 28 per cent, and in 2020 it will be 50 per cent. That means politics will change. Those middle-class mothers are going to demand good schools. Change will be driven

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— Gurcharan Das

from the bottom up, and it is already happening."

But while India's middle class is growing, so is income inequality. The gini coefficient – the classic measure of inequality – has steadily risen since the launch of reforms in 1991 – although it is lower than in China. Economists worry that rising inequality points to growth that is not broad based and also threatens social cohesion – as evidenced by rising rural protests in China and sporadic insurgencies in parts of India.

Mr Das rubbishes concerns about inequality. "The issue is not inequality, the issue is poverty," he says. "One statistic that not many people know is that every year for the past 25 years, one per cent of people in India have been coming out of poverty. If you add them all up, it comes to 200 million people. Admittedly it's a low poverty line, one US dollar a day. But the point is, the percentage of poor has come down since 1980, from around 45 per cent of the population to around 20 per cent of a much larger population."

As for the rural insurgencies, Mr Das claims they are the result not of inequality but of poor governance. "When a car company advertises one of its beautiful cars on TV, most people in India cannot buy that car," he says. "But you don't get a revolution because of that. What you get is an aspiration."

"So the big issue for India is what takes an people out of poverty. A large part of the answer is equality of opportunity. If you give poorer people good schools and healthcare and leave them alone, you won't need employment guarantee schemes and other such rubbish that

the government is trying to push through. Just make sure schools are good and people have access to them. Then they'll rise on their own."

"Today's Indian middle class did not wait around for entitlements and so on. They pulled themselves up by their bootstraps. They even take education into their own hands. What do they do when the government doesn't provide good schools? They start private schools in the slums. They charge just \$4 a month. But they still make money and still give a better education than government schools."

"So for me, all this talk about inequality is just a lot of hot air. Just make sure there is high growth, provide education and health and equality of opportunity, and people will automatically rise up the ladder. That's a simple answer."

India's high growth, at least, will continue, says Mr Das. "It won't matter much who's in power. If we are lucky and have a real reformer, we can raise our growth rate very quickly to 9-10 per cent and we'll save 20 years. But if we bumble along, I would still say it won't matter too much. Because the Indian economy grows at night, when the government is asleep."

India's reforms will be "excruciatingly slow", he feels, but they too will continue. That's just how it is in India's noisy and chaotic democracy, and how it will be.

On the latter issue, Mr Das says: "You know, my mother asks me, 'You keep saying China is growing at 10 per cent and India is growing at 8 per cent. What big difference does this 2 per cent make?'"

"I say to her, 'Well, 2 per cent means you can advance your progress by 20 years and a whole generation can be lifted out of poverty.' And then she says, 'Look, we've already waited 3,000 years for this moment. So let's just do it the Indian way – let's do it with our democracy.'"

"In fact, I suspect that's how the average Indian also feels. I don't think anybody would want to give up our democracy for a slightly higher growth rate."

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