

India – the real Asian Tiger?

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Her Majesty the Queen will be getting all her pomp and regalia ready for the State Visit of the President of India, Her Excellency Smt. Pratibha Devisingh Patil, to the UK this month. It has been 19 years since an Indian President visited London, but the glamour of Patil's reception will be fitting for a better reason than simply the length of time she has been expected.

The President, or Rashtrapati as the position is known in India, heads the country which in reality is *the* Asian Tiger, or at least has the potential in the next few years to become one. At present, the four nations referred to as Asian Tigers are the highly developed economies of Hong Kong, Singapore, South Korea and Taiwan. But can they really compare to the developing economy of India, now that the Indian Tiger has woken up and understood its natural place in the world economy? India's strongest advantage over these four countries is that it is a fully-fledged democracy, and the Rule of Law exists alongside its large size. It is true that Singapore, South Korea and Taiwan all have vibrant economies, but their economies are mostly export based, and dependant on the vagaries of world economic cycles.

China, of course, is now more or less a developed economy. Yet there exists no democracy, nor a legal system which has yet to be accepted internationally. In the People's Republic of China, the state plays an important part in businesses, and there is no free movement of international trade without some government involvement. That is no longer the case in India, where the private sector is allowed to flourish independently. This, of course, does not mean that India in all respects has yet become a fully-grown Asian Tiger. There are still teething problems to be overcome in the Indian democracy. This article examines some of those teething problems, and attempts to give a prognosis as to their impact.

The most important of these teething problems is that the economic benefit which ought to have come to the common man (aam admi, as he is known in India) has not yet reached him. Consequently, there is now a very dangerous grass roots movement in India which has all the signs of becoming unpleasant: the Maoist moment. The Maoists are no more than the poor of India, who now possibly feel that the benefits of democracy are harvested only by the upper and middle classes.

India's politicians are undoubtedly aware that revolutions start at the bottom of society, and they must

keep this in mind and reform their perceived ways. The last 60 years of Indian democracy have shown that India has the ability to adapt its democracy to reach the grass roots level. Indian leaders would be well advised to evaluate the situation carefully, and recognise that the youngsters at the bottom of the economy are no longer prepared to wait patiently in hope.

Border Disputes

A major challenge which India has faced is the defence challenge across two of its borders, with China and Pakistan. This has resulted in the substantial portion of the Indian budget being diverted from development to defence. The author, who has dealt with the Chinese political leadership in legal matters, has found PRC leaders to be firm believers in *realpolitik*. China has greater economic ambitions than territorial ones. With India it is the same. Therefore it is very likely that both the Indian and Chinese leadership will find a way to work together, making economics and the welfare of the common man a priority.

The Kashmir issue on the Pakistan border does not require a resolution. The State of Jammu and Kashmir is a part of the Indian Federation and has its own legislature. The current Taliban insurgency in Pakistan would have sent a message to Pakistan's political leadership that encouraging terrorism in any form, be it directed towards India or elsewhere, is likely to have a flashback on Pakistan. It is therefore most likely that India and Pakistan will now attempt to come closer together and work for the economic prosperity of their people.

A skilled workforce

Within the Indian population itself, there is a highly educated and skilled workforce, and there are specialised areas where they have a particular competitive advantage. Chief among these is information technology, where the City of Bangalore in South India ranks second in production only to Silicon Valley in the United States. The calibre of the Indian IT worker is now recognised in every corner of the globe.

China, for all its wealth and development, has no economic success stories to rival that of the Indian private sector in the last decade. For example, the Reliance groups in their various forms, owned by two brothers Mukesh and Anil Ambani as separate groups. Tata, which is India's leading business group, now owns British companies like

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Corus Steel, Jaguar and Tetley Tea. This situation would have been unthinkable some fifteen or twenty years ago. In an even more obviously international example, wholly Indian owned private international airlines like Jet Airways and Kingfisher Airlines have been created as the brain children of Indians Naresh Goyal and Vijay Mallya. These airlines have been trendsetters in services in some ways, and have even taken business away from well known international airlines.

Role of traditional philosophy

One of the important tenets of Indian business philosophy has been that all major businesses have historically been family oriented. In other words, one had to be a member of the business Owner's family to have realistic ambitions of reaching the top. Examples are the Tatas, Godrej, Birlas and Essar Groups, which are now multinational groups but still effectively controlled by the family members. Be that as it may, the last decade has seen a cultural change in the business philosophy of India. The businessmen in India now recognise that the world has become a global village, and that to market its products and services, their business will need the best talents. The best talents, of course, remain and grow if there are equal opportunities in the business.

Consequently, it is now accepted and common practice even in family owned businesses to do away with the old philosophy that one has to be a member of the family to have an equity stake or a real say in the running of the business. The Tata Group was one of the first to recognise this, and today they are a multinational company which compares comfortably with the best in the world. Tata's example is now being followed on a wide scale by most Indian business houses, something which has been a welcome change.

Another advantage India offers for new businesses that its skilled work force is relatively new to the market and is therefore very dedicated to hard work and success. There is, therefore, a higher degree of job loyalty amongst India's skilled workforce than one finds in the western world. It is not uncommon for India's skilled workers to slog long hours, often weekends and holidays, simply to ensure that they get their work done properly and efficiently. The resulting 'invented' tradition has played an important role in the evolution and character of Indian economic values. Social peace has also done great good for the fostering of economic development.

The uniqueness of the Indian experience appears to challenge unilinear theories of modernisation. India's success lies in the creation of its own kind of modernity, sharply divergent from that to be found in Western countries. India's strengths are based paradoxically upon a reaffirmation of ancient values and native traditions of harmony, job loyalty and the non-individualistic group striving in pursuit of a common cause. This has

resulted in India today having a most productive and skilled workforce.

Economic Opportunities

There are other teething problems, the challenges of which the Indian economy will have to face up to and deal with. These problems also bring with them opportunities for business and profit. For example, India really does not have any system of national healthcare or social security for its population. India's Government Hospitals are not always well run. Significantly, there are now opportunities for commercial ventures known as Poly Clinics, which can be opened in various small towns and villages, and can be run profitably, if necessary with some government support.

Legal System

The legal system is another challenge that India will have to deal with. At present, the Courts are clogged up and, not dissimilarly to many Western countries, large numbers of poorer Indians feel that the justice system is available in reality only for the haves, not the have nots. The poor in India are not really in a position to make any use of the well-preserved legal system because in some respects it is an outdated, colonial system, run by English speaking lawyers, which has not changed with time. Adjournments are granted by the Courts for the asking. Cases usually drag on for several years. However, this is something which has been recognised by the Indian Government, and in the last two decades there has been a serious effort made by the Law Ministry to remedy the situation.

There is already fierce debate in India as to whether foreign lawyers should be allowed to open law firms in Indian cities. The local lawyers fear that if giant law firms from outside enter India, then they will lose their bread and butter. That is an understandable fear, but it is unlikely to be true. One is reminded of the famous quote of Rudyard Kipling "Of all the liars in the world, sometimes the worst are your own fears." The fears of the local Indian lawyers are more likely than not false. History has shown that cross-fertilisation always brings better products, and with it better opportunities.

Foreign firms in India will bring international standards, and they will in turn have to adapt to Indian culture: all part of cross fertilisation. These firms will no doubt take the best parts of Indian culture to other countries, and so the Indian legal footprint will be formed in those countries in some way, and with it add to the larger Indian foot print in the process of Globalisation.

To conclude, with its ability to adapt to situations which democracy normally provides, India is a more likely Asian Tiger today, and if she is not quite ready now, she will surely be in the next few years. I therefore urge investors and businessmen to seize the invitation to do business in India, before others rush in and beat you to it. **F**