

THE ELEPHANT IN THE ROOM

INDIA RISING
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A looming presence yet to fully reveal itself. This is the elephant in the room; this is India.

A few facts:

- India has a population of 1.17 billion.
- 50% of that population under age of 25
- 50 million are classified “middle class” ie income above \$18,00 annually
- produces 4 million vehicles annually.
- Has 275 million mobile telephone connections with an increase of 10 million are made monthly.
- India is the world’s second fastest growing economy today.

From 2001 to 2006, I had the good fortune and privilege to live and work in India.

It was a period of substantial economic reform and political change when the country cast off its geriatric and paternalistic BJP government and opted instead for a more

dynamic and progressive Congress party coalition – the united Progressive Alliance, which has led India today to be the viable superpower and counter balance to China.

From 2001 to 06, India's GDP grew from US\$485 billion to \$922 billion an almost 100% increase. Very impressive figures during a time of a global economic roller-coaster ride.

Real GDP is expected to expand by 7.7% in the 2010/11 financial year. The country's economic blight is its high inflation which hovers around 11%, due to the poor monsoons of recent years. However, there is optimism that inflation will be reduced in the forthcoming year as there is an expectation for a better monsoon season.

India is a country of great contrasts – abject poverty nestled comfortably alongside opulent wealth; third world infrastructure but with faster broadband speed access than you and I enjoy in Australia.

India has a 39% illiteracy rate but has nurtured many global award winning writers. Booker-Mann Prize authors alone include Salman Rushdi in 1981; Arundhati Roy 1997; Kiran Desai 2006; and Aravind Adiga 2008 - along with V.S. Naipal, Nobel Laureate for literature in 2001.

It is a country that operates a caste system that can only be described as indentured labour if you are unfortunate enough to be born a Dalit or (Untouchable). On the other hand it is a country very quick to play the racist card when it suits its purpose, as we have recently seen in Australia.

While a country of small farm holding, it nevertheless operates two of the most successful agricultural cooperatives in the world such as Amul – a dairy and now

food production company owned and operated by rural women. The other is Mother's Dairy. These are highly successful multi million dollar companies.

In addition, super savvy Indian IT technocrats and engineers operate companies today with global reach and impressive credentials. They have come a long way from providing call centre and backroom office services. Indian owned IT companies have, in just over 10 years, established themselves as players in development of IT security systems; animation technologies; and financial services systems, to name a few.

Indian IT executives will tell you that the reason they have been able to achieve great success in such a short time has been due to the fact that there has been relatively little interference on the part of the Indian Government which, in turn, has allowed the industry to rapidly expand and flourish.

You need only stand in work area of massive IT centres and see the incoming work orders from engineering companies and architectural firms sending specifications for plans and drawings for commercial buildings, houses, bridges, power stations, yachts, ships and many other design requirements. On completion, the plans and designs are simply sent back via Cad Cam systems to cities all around the world. All produced by highly educated post graduated employees with an MBA for good measure.

The rapid growth in India's high end, high value IT sector has been assisted by expat Indians who were forced to return home following the US IT meltdown when the bubble burst on the IT market in the new millennium.

They brought back with them their creativity, knowledge, and importantly, modern management systems and practices – a far cry from the country's traditional and hierarchical way of doing business.

One of the last bastion's of change is the Public Service – and with good reason.

While you may get frustrated by Indian buarcrcacy and red tape to say nothing of its many pairs of hands that a request must go through; it is all for a good reason. The Public Service is the biggest employer in India. In fact, the Indian Railways is the biggest employer in the world.

From rural farmers to high end IT companies. India today is attempting to modernise and grow its manufacturing sector.

Sure it is a producer of great textile products and it has a domestic car manufacturing industry, and jewellery manufacturing is India's third major export, but by and large the country needs a bigger manufacturing base to provide employment opportunities for poorly educated rural workers and lift them out of poverty and participate in the country's growth, development and prosperity. This has become a focus of the current Government's attention and endeavour.

Climate change with shortened monsoon seasons coupled with soil degradation, makes this an urgent task.

One such outcome is converting sugar cane growers in Maharastra to grape growers and subsequently, value adding wine producers because grape cultivation requires less water consumption than sugar cane.

Now while premium wine producers in Margaret River have little to fear yet from India's red wine production, Narsik wine

producers produce some very drinkable whites and sparkling wines.

The red clay earths of Nasik and Bangalore have attracted several French wine makers as land is plentiful and relatively cheap.

Closer to home Howling Wolves wines from Margaret River has formed a partnership with an Indian wine producer in Maharashtra with an excellent distribution network across India. While it has been a long 8 year haul to train and develop its winery in India, last year the Howling Wolves realised its first vintage for consumption in India where wine consumption is growing rapidly.

Access to clean water is a growing problem for India. Today it is not uncommon to find suburbs in major cities such as Mumbai and Delhi with no water supply during periods in the day. This issues of poor infrastructure and supply cuts to domestic consumers permeates through to electricity.

Poor infrastructure is a key to holding India back. The last few years have seen an attempt on the part of the Union Government to lift the rate and pace of development in this area. However, corruption complicates the development especially at a state level of politics. Solutions need to be found.

While India's pace and rate of development is not that of China, there should be no doubt that India will achieve its objective.

While China has embraced all things western, what I admire about modern Indians, especially among the young, is their

ability to move forward with their culture and traditions in tact. No more clearly is this displayed than when Indians celebrate special occasions. They readily shed their tight jeans, skimpy tee shirts and the like to don their salwar kameez, saris and kurtas which they wear with great pride and style.

And remember 50% of the population is under the age of 25.

It's an attribute and strength that says a great deal about how Indians perceive themselves and want to be perceived by the rest of the world. They are proud of their country, culture and have a great belief in their future. Even those who have left its shores many years ago retain a great sense of Indian culture, history and tradition and they are comfortable about walking in both worlds.

So what are Western Australia's links to this country of one billion plus people? Well they date back to time before man walked the planet. To when Gondwanaland – the north west of Western Australia was geologically attached to the Bay of Bengal region of India on the eastern part of the subcontinent until the Teutonic plates of the Indian sub-continent drifted away to the northern hemisphere.

When substantial gas was discovered in the deep waters of the Bay of Bengal in 2002, our geologists were not surprised as the rock formations are similar to that off the north west shelf.

Historically our links date back to early settlement when exports from the colony grew in 1850 from 22,500 pounds to 89,247 pounds in 1860. Among the principal articles of wool and timber, horses from Australind region were exported to

India for the use of the British army. In fact the name Australind is a combination of the words India and Australia.

Exporting food items to India is not easy. Customs, labelling requirements conspire to keep you away especially foreign imports of items which are direct competitors to local products.

Preliminary discussions are now underway between India and Australia to enter into a Free Trade Agreement. You can rest assured that food exports will be high on the agenda.

When it comes to in-bound investment, to date Western Australia has attracted the lion's share of Indian investment in to Australia totalling more than 1 billion dollars and with a further three billion dollars proposed for investment.

The investing companies include Hindalco –Aditya Birla Group (Nifty Copper Mines) \$80 million; Oswal Group (Burrup fertilisers) \$750 million; and the recent signing between Petronet-Exon Mobil LNG joint venture realising \$2.6 billion in LNG shipments to India over the next 20 years.

There is also a growing interest from Indian companies bidding for acreage in petroleum exploration off the North West coast.

A consortium of Indian companies including Bharat Petroleum Corporation Ltd Videocon Industries Ltd, Hindustan Petroleum and Gujarat State Petroleum in partnership with Oilex have a 20 percent participating interest in a petroleum block in the north west.

Closer to home, the Perdeman Group has its sights set in getting up a \$2.5 billion Urea fertiliser facility in the Collie area.

Western Australia needs to cultivate and attract more Indian investment to the State, if for no other reason than to provide a counter balance to Chinese investment. We all know the adage – never put all your eggs in one basket.

Western Australia is recognised today by Indian government and leading companies as an investment opportunity. Today WA is very much on the radar - hopefully the proposed Mining Super Rent Tax does not destroy these gains.

WA is the only Australian state that enjoys two MoUs with the Union Government of India in Mine rehabilitation and is now in the process of developing a second one in Hydrocarbons. Such relationships provide good access to these industry sectors and should be exploited more by WA industry.

While Indian culture and traditions may be different, we share three very important values: a judicial system; English language; and a democracy.

Doing business in India is not easy. It requires patience and deep pockets. It is essential to find the right Indian based partner to work with. Access to a good distribution network is essential.

It is also worthwhile to remember that India is well connected into Middle East and African markets and as such provides an excellent launching pad. However, one should take note that the country's IP is very loose and Indian companies are very good at re-engineering.

I recall once visiting a workshop in Gujarat. On the floor neatly laid out on the floor were all the components of a one off imported state of the art Italian made commercial ice cream making machine. I think that would have been the first and last sale of this item to Gujarat.

Hopefully the proposed Free Trade Agreement between India and Australia improves the protection on IP. Having said that there are opportunities especially in the services sector. Mining services is a growth sector, There are a number of Australian companies operating in country both in consultancy services and mining software development.

Education and training services is another opportunity. An enterprising Indian Australian, Lina Ashook, operates a number of private schools in the well heeled suburbs of Mumbai, Chennai and Delhi.

Called Kangaroo Kids, some 30 pre-primary schools cater to the needs of Bollywood's rich and famous. Why are the schools so popular? Because they provide an interactive and active school learning environment highly sought after by well heeled returning Indian expats who have come home to create their own global empires.

In addition, Lina operates some 12 secondary school in the same cities.

Her schools teach the Indian curriculum but to Australian teaching methodology. Hers is a highly successful enterprise which includes teacher training through the University of Melbourne.

India only recently announced its desire to welcome foreign universities and colleges to establish offshore campuses in India. It is the country's response to keeping its talent in country as well as help the country meet its education needs and raise its literacy levels.

It is very easy to see India through the chaos, poverty and frustrating red tape that besets the daily life of Indians and foreigners alike. However, to do so is a big mistake.

This is a country which in 10 years developed a world class domestic airline system with at least 12 domestic airlines grown from 2 – Government run Indian Airlines always on the brink of collapse and the global award winning best domestic airline in the world and now an international airline called Jet Airways owned by the Tata Group one of India's great companies.

I leave you with the words of one of India's leading entrepreneurs, Kumar Birla when interviewed on television. He was asked to compare the growth and development of India with that of China.

He said "Never underestimate the sure footedness of the elephant. It may not run as fast as the tiger but it endures and always succeeds".