

Winning the global competitive race-Areas needing attention for India

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- Over the next fifty years Brazil, Russia, India and China –the BRICs economies –could become a much larger force in the economy. We map out GDP growth, income per capita and currency movements in the BRICs economies until 2050.
- The results are startling .If things go right, in less than 40 years; the BRICs economies together could be larger than the G6 in US dollar terms. By 2025 they could account for over half the size of the G6 .Of the current G6, only the Japan and US may be among the six largest economies in US dollar terms in 2050.¹

The 2003 Goldman Sachs - BRIC report projected China's GDP in 2050 at \$44.45 trillion while India's GDP was projected at \$27.8trillion and that of US was projected at \$35.17 trillion.BRIC II (a sectoral analysis in 2004) underscored China's importance .The latest Goldman Sachs report (January2007) says India's GDP will surpass that of the USA before 2050.

In the coming years the world economic scenario is going to change dramatically. The advantage as predicted by the report shall shift in favour of four countries –India being one of the forerunners in leading the world towards a new economic order.

India today is poised for change on a scale that is unimaginable. India is catapult into a completely new era- ready to take over its competitors and win the global competitive race. In its stride to win the global competitive race India is well supported by three powers namely; power of youth, power of knowledge and the power of enterprise.

- **Power of Youth**

"The dynamic emerging economies - led by the two main BRIC countries-mainland China and India - will grow strongly," says a 2007 report by international accounting and consulting firm Grant Thornton."However mainland China may face potential problems with its aging population and rising age old dependency ratio." Young India is waiting to take up the slack.²

India is a vibrant country, full of enthusiasm and youth. Some 65 percent of India is below 35 and 50 per cent below 25.One of the oldest civilizations in the world is one of the youngest in the century. In 2025, the median age for India will be 31, against 39 for the US and China and 44 for Russia and the UK.As societies around the world are growing grey India will be the source of tomorrow's manpower requirements. The share of those aged 65 and above in the total population is less than 5 percent in India, compared to 19 percent in Japan, 18 percent in Germany, 12 percent in the US and close to 8 percent in China³.

The young population of the country will make the country a powerhouse supplier for skilled manpower and will also raise the saving rates in the country allowing a substantial rise in country's investment rates.

- **Power of Knowledge**

Indians have become the "brains of the world", backed by the excellent English and communication skills. The horde world class engineers and professionals produced by the country's IITs, IIMs and other institutions have already started making their mark as workers to

¹ Wilson Dominic and Purushothaman Roopa, Dreaming with BRICs:The Path to 2050,Goldman Sachs-Global Economics Paper No.99,1.Oct.2003.

² Swami Parthasarathi,India Story, Business India,8 April,2007.

³ Babani Anoop,It's when ,not if-India vs China,Business India,8 April,2007.

the world. First came Information Technology (IT) services then came the Business Process Outsourcing(BPO) and now it is the time for Knowledge Process Outsourcing(KPO).Indians are going offshore like never before. Some are being captured on campuses for bulge bracket jobs in London and New York. And they are wanted everywhere. In recent years a number of multinationals Nokia, Samsung, Ericsson, Vestas, POSCO and many more have set up their shops and back offices in the country, encouraged by the availability of educated and experienced manpower.

- **Power of Enterprise**

Enterprise has always existed in India and today it is even more visible. At IIMs the students are turning down Rs 1 crore plus salary to start ventures of their own. The fear of failure has almost vanished from the minds of the budding entrepreneurs.

India's roaring entrepreneurial culture has also outbid Chinese in serious business overseas .A recent study by the Duke University's School of Engineering and University of California's Berkley School of Information reveals that between 1996 and 2006,Indian immigrants founded more engineering and technology companies in the us than Chinese and Taiwanese and British immigrants put together. In fact, one in every four-technology companies set up by immigrants had an Indian founder.⁴

Areas needing attention

The indications from the Goldman Sachs Report has nominated India for the Global Competitiveness Race ahead .The race will have traditional co-participants –US Japan and other developed countries and new emerging co-participants like Brazil, Russia and China countries, which will give strong competition to India.

India ranked 43rd overall in the Global Competitiveness Report 2006-2007, with excellent scores in capacity for innovation and sophistication of firm operations. Firm use of technology and rates of technology transfer are high, although penetration rates of the latest technologies are still quite low by international standards, reflecting India's low levels of per capita income and high incidence of poverty. Despite these encouraging results, insufficient health services and education as well as a poorly developed infrastructure are limiting a more equitable distribution of the benefits of India's high growth rates. Moreover, successive Indian governments have proven remarkably ineffective in reducing the public sector deficit, one of the highest in the world.⁵

To win the global competitive race, India has to keep its house in order and pay special attention to various areas. This paper identifies three such areas namely-Education, Health and Infrastructure.Reforms and up gradation are required in these areas which are possible by the combined efforts of government, policy makers and public private partnerships.

- **Education**

Literacy and general education form the base of knowledge pyramid that is essential for rapid and sustainable development.

Though projected as centres of learning most of the colleges and schools are actually institutions of teaching. Nearly the entire current educational system has been designed according to the convenience of teaching and not learning. In Indian thought, knowledge is seen as something

⁴:*ibid*

⁵ World Economic Forum, Global Competitiveness Report 2006-2007.

which liberates (*sa vidhya ya vimuktaye*). Time has now come to liberate learning from the institutionalized learning.⁶

The present times call for a revamp of curricula to train people for jobs that are being created, rather than providing them with meaningless degrees, which provide them no useful skills.

India is rightly proud of her seven IITs and six IIMs, which are tiny hubs of educational excellence. A handful of such institutions is not enough. The country needs many of such institutions to meet the forthcoming needs. These Ivey League Institutions are just ensuring excellence despite dwindling faculty and disappearing funds. Though each of them boasts of state-of-the-art library and adequate journals, much needs to be done in terms of research and development.

India needs large number of talented youth with higher education for the task of knowledge acquisition, knowledge imparting, knowledge creation and knowledge sharing.

This is an important task in which all universities, academic specialists, colleges, vocational training institutions, certification agencies, banking systems and industrial enterprises can contribute in terms of assessing correct numbers, designing courses related to nation building tasks, assessing and providing infrastructural requirement, improving the quality of teachers, ensuring teachers-students ratio, complimenting the class room education with virtual class rooms through tele-education and above all ensuring that the students are able to face international competition in employable skills. Systems must be designed in such a way that no aspiring competent student should be denied quality education Physical Infrastructure should be complimented with the interdisciplinary teams working together on common problems with team members not necessarily required to be in the same location.

The system of education must be able to maintain the required output quality to meet global competitive standards.

- **Infrastructure**

Development involves a continuous increase in the number of physical transactions and the speed with which they occur, both of which are highly dependent on the nation's infrastructure.

India is adding more phones per month than in first 45 years since independence. It is happening because it is making commercial sense. India has suddenly become a small country; connectivity has compressed the large geographic dimensions of the country.

It is also a smaller place because of the boom in civil aviation and the rapid growth of low-cost carriers. But that is a story at the starter's gate; much still needs to be done.

Traditionally, India has spent a 4 percent of its GDP on infrastructure as compared to China's 9 percent. Looking at the length and the breadth of the country and the ever-increasing requirements of the growing economy, this investment is inadequate.

The country's poor infrastructure is already struggling to keep pace with growth, power cuts are common as there isn't enough electricity to meet current demand, ports are overflowing, many roads and highways pot-holed and crumbling. The inadequate stretch of the roadways and highways act as an impediment to transport of goods to their destination points. The power cuts hamper industrial production, reduce the production capacity of the industrial units and also affects the quality of production.

These gross inadequacies of infrastructure demand for corrective action. The corrective action requires a strategy for developing capabilities within the urban and rural local bodies to cope with the deficiencies, with genuine decentralization of financial and administrative powers and restructuring of the entities on the basis of sound management practices.

Attracting infrastructure investment has the double benefit of inducing growth as well as kick-starting a virtuous cycle of investment in all other sectors of the economy. In particular, we stand

⁶ Trivedi Kiran. Liberating Education, Times of India, 22.Feb.2007.

no chance of becoming a manufacturing power without the bedrock foundation of efficient infrastructure. In order to make headway here, we need to speedily put together templates for various infrastructure projects.⁷

Total investment needed for creation, upgradation and maintenance of the total infrastructural set-up requires an increase to levels three to four times higher than the present investment. While government will be the major source of funds for infrastructure, internal generation of resources by the transport services will have to increase, supported by the more realistic pricing of services, reduction in the operating costs and active involvement of the private sector in the development and maintenance of the infrastructure.

To meet the power crisis in the country, a concerted effort is required for alternative energy generation in the form of wind power, solar photovoltaic, solar thermal, small hydro, biomass power and bio fuel. Enhanced adoption by the public and private sector, of best - practices and environment -friendly technologies, more efficient use of energy, promoting private sector investment, and greater efforts to protect the environment will be required to cope effectively with the nation's growing energy requirements.

Building up appropriate and adequate infrastructure will have the double benefit of inducing growth as well as kick starting a virtuous circle of investment and employment in all other sectors of economy.

- **Health**

The health of a nation is a product of many factors and forces that combine and interact. Economic growth, per capita income, employment, literacy, education, age at marriage, birth rates, availability of information regarding health care and nutrition, access to safe drinking water, public and private health care infrastructure, access to preventive health, health and medical care, and health insurance are among the contributing factors.

While the economic development in India has been gaining momentum over the last decade, our health system is at crossroads today. Even though Government initiatives in public health have recorded some noteworthy successes over time, the Indian health system is ranked 118 among 191 WHO member countries on overall health performance.⁸

Medical tourists are flocking to India and the country is fast becoming the pharmacy of the world. But still basic health services are unavailable to millions of Indians, especially in the rural areas. Communicable diseases remain the major cause of illness even today. The infant and maternal mortality rates are high.

India needs a strong dose of reforms to boost this sector. Upgradation of health infrastructure is urgently required. The health infrastructure should include homeopathy, *ayurveda* and *unani* systems of medicine besides the allopathic system of medicine. This infrastructure should be aptly manned, equipped and financed to cope with the challenge of eradicating the major threats to human life. This infrastructure should be strengthened at the rural level and should involve the active participation of volunteers and self help groups. The infrastructure and the health system should be able to provide quality services for maternal and child health, contraceptive care and prevention and treatment of communicable diseases effectively and efficiently.

The development plans for India's health care systems need to place greater emphasis on public health education and prevention of communicable diseases. Alongwith the traditional channels used for dissemination of health and nutrition related information, the modern channels of television, radio, print and electronic media should also be used.

⁷ Mahindra Anand, 25 Challenges For India: Columns, Business India, 15.Jan.2006

⁸ Ramani KV and Mavalankar Dileep, Health System in India- Opportunities and Challenges for Improvement, IIM A Working Paper, 2005-07-03.

The infrastructure thus created should be able to meet the requirements of the masses especially in the rural areas. A healthy and fit nation will help the country to win the race.

Conclusion

The Goldman Sachs report has just nominated the India for the global competitive race. To win this race India is backed strongly by the powers of youth, knowledge and enterprise. But this does not make India the winner of the race.

To win the global competitive race the country needs to be strong on the other three pillars of education, health and infrastructure. The strengthening of these pillars will make the country's people better fed, dressed and housed, healthier, more educated and longer living than any generation in the country's history. Rising levels of education, health, employment and incomes will help stabilise India's social environment and integrate the country with the global economy. The maintenance and upgradation of these pillars will help the country to build up its social, physical and economic infrastructure. All these will help India to win the global competitive race.

The sentiments of the President and Prime Minister of India with regards to India's position in the global context also reflects the vision of India as a winner of the race taking into consideration the interests of all the groups concerned.

“Through responsive and innovative venture systems and entrepreneurial training both in schools and colleges, we will have more enterprises leading to large number of employment generators rather than employment seekers. A pro-active healthcare system delivered through innovative schemes will provide quality healthcare access at an affordable cost to all the people of the country including those living in remote areas. Everyone will have an opportunity to take up and complete courses of choice in higher education. I am sure you will all see prosperity in the country, which will replace scarcity and control. In addition to the above economic, social and human development, India will also have a visible global presence in strategic sectors and will contribute to world peace. All our technological and economical advances while enhancing our prosperity would embed our value system derived from our civilizational heritage. This unique combination will make our growth robust and sustainable and will lead to a peaceful, secure, happy and prosperous society.”⁹

“Every generation would like to believe that it is entering a brave new world. That spirit is natural and welcomed. It inspires each generation to seek new horizons and find answers to problems old and new. Many, however, will rest content reinventing the wheel and pouring old wine in new bottles. But some will strike out and truly find new paths. A society that encourages creativity, enterprise, innovation and risk taking will be a vibrant society and the future belong to such a society, which will be capable of dealing with the challenges of the brave new world. I believe we must do all that is possible allow the full expression of such human creativity and ingenuity to flourish in our country. This we can do best within the framework of an open society. But such a society will have to be a literate and educated one. It will have to be healthy and caring. It will have to be a knowledge – empowered society. A free and egalitarian society functioning within the parameters of the rule of law and civilized conducts and discourses. Above all it will have to be an inclusive society.”¹⁰

⁹ A.P.J Abdul Kalam, Address to the nation on the eve of the India's 58th Republic Day, 2007.

¹⁰ Singh Manmohan, Can India take the lead?, India Today Conclave, 2007.