



Gurcharan Das, a former CEO of Procter & Gamble in India, says the growth of markets is the nation's key to prosperity. (John Donnelly/Globe Staff)

India, poor still, shows confidence of an emerging power

Economic changes fuel hope

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NEW DELHI -- Like many of his countrymen, Gurcharan Das, an author and former CEO of Procter & Gamble in India, has been thinking a lot these days about India's new place in the world -- that of a rising power.

"China's success is the result of an amazing technocratic state that decided to become prosperous," he said as he and his yellow Labrador, Tashi, walked past a row of beggars into Lodi Garden, a green oasis in the middle of this congested city. "Here in India, in a democracy, people are behind our success, almost despite the state. We are doing it in an Indian way - chaotic, everyone wanting to have a say, but getting it done."

He laughed in the day's last light as he passed rose-tinged stone forts and temples worn smooth by rain, wind, and sun for more than 500 years. Then he stopped and said, "Many will say we've waited 3,000 years for this moment."

With a storied ancestry that includes the Indus Valley culture -- which, beginning 4,500 years ago, rivaled all other civilizations for more than a millennium -- India, say economists and international observers, is emerging from the world's shadows to become a global player in trade, technology, and political influence.

One of the most striking changes in India observed during three weeks of travel, from Kerala in the south to this capital of 17 million people in the north, was the country's new tone: a vocabulary of confidence, a word used over and over to describe today's Indian psyche.

"India now has the confidence of a rising power. It has become part of the long-term global balance of power," said C. Raja Mohan, an analyst and editor of The Indian Express Newspapers. "The world is going to be a very different place in the next 20 years, and the US, India, and China -- not Europe -- is where the action is going to be economically."

And yet, India, home to more than 1 billion people, remains beset by great poverty and great challenges. Pigs root out trash in city streets; cows wander onto highways. Power cuts occur daily even in the wealthiest neighborhoods. Sewage flows down the ancient alleyways of Udaipur in the western Rajasthan region; airports fall apart; and 36 percent of the population cannot read or write.

"After being here for a while, I'm reminded that India is a very poor country. It's not yet the shining India you often read about," said Stephen P. Cohen, a senior fellow at the Brookings Institution in Washington and author in 2002 of "India: Emerging Power." Cohen, who just finished more than a month in residency at a think tank based in New Delhi, said he acutely felt the "uneven growth of India, where you can buy an iPod at your local bazaar and in the Old Delhi railway

station give a nickel tip to a porter to carry your bags, and he is so grateful."

The hope is that the country's economic reforms -- undertaken in 1991, more than a decade after China began its market reforms -- will annually lift millions of people out of wretched conditions. The reforms have gradually liberalized markets, encouraged a wider role for private enterprise, and removed regulations from many industries such as software and biotechnology. From 1951 to 1991, India's governments, strongly influenced by the Soviet economic model, had put controls over the economy, stagnating growth

"I believe that the growth of markets is the best way to create prosperity, and that is what is happening here," Das said. "Of course, it's not going to happen across the board, all at one go. It's going to be uneven. But our middle class -- I call them the 'scooter class,' or those who can afford scooters -- is growing incredibly fast."

Recent figures support his measured optimism. Since 1991, India's economy has grown an average of 6 percent a year, and economists say the country is poised to stay at 7 percent to 8 percent growth for the next decade.

In 1991, India's middle class was about 8 percent of the population, or 65 million people. Today, the middle class is believed to number 25 percent of the population, or more than 250 million people. Das and others predict it could exceed 500 million people by the year 2020.

Foreign direct investment is at \$5.5 billion, up from \$100 million in the early 1990s. Indian expatriates, according to one study, have sent more than \$24 billion in remittances home annually in recent years, more than any other national group does.

Consumer spending is skyrocketing. Annual car sales have leaped from 150,000 in 1991 to more than 1 million today. India's airline industry, which was one of the first to be deregulated in 1991, has gone from one state-owned airline to eight competing carriers. Passenger traffic is expected to grow by 20 percent annually over the next five years.

At the Hyderabad Central Mall, a huge sign at the entrance reads, "Shop, Eat, Celebrate!" and one of the first stores inside is Britain's upmarket Marks & Spencer. Billboards light up the night sky of the south-central Indian city of 5.5 million people, advertising computers, cellphones, low-cost airlines, and a hospital proclaiming that its "cardiac care equipment compares with what we have in America!"

In Hyderabad, Bangalore, and Mumbai (formerly Bombay), in a time zone 10 1/2 hours ahead of the US East Coast, scores of call center operations open after dark, so that they can answer queries from Americans nearly half a world away. The explosion of such outsourcing centers can be explained by economics: Analysts estimate such services costs 40 percent less in India, largely because of lower labor costs.

Some of the boom is a direct result of multinational companies making huge investments. JP Morgan Chase, the US bank, announced late last year that it would be moving 30 percent of its back office and support staff to India in the next two years and planned to hire 4,500 graduates in India. Last December, Bill Gates, Microsoft Corp. chairman, said on a trip to India that his company planned to invest \$1.7 billion in India over the next four years -- the highest ever investment in India's information technology sector to date, doubling Microsoft's workforce in the country.

The proliferation of small businesses also is playing a huge role in the country's economic growth. In one high-rise building in New Delhi filled with hundreds of small start-ups, travel agent Ravneet Kler and two of his friends have built a strong business through word of mouth and the Internet.

"I go on Yahoo chat, it's amazing," Kler said excitedly one day recently in his cramped office. "It's instant. I go through a client's trip step by step, getting feedback and approval. It means I can compete with anyone, anywhere in the world. I'm starting to do a lot of Americans' trips around India, in part because of the technology."

Still, India's global advantage of having hundreds of thousands of well-educated English speakers may eventually fade because the educational system is not producing enough trained professionals to keep up with the boom, according to analysts. The concern stretches from hiring enough call center operators to finding top executives. "CEOs in short supply as India booms," read a recent headline in the Times of India.

But in Ahmedabad, a city of 4.5 million people in western India, Dr. Haren Joshi, 67, said the change in India goes beyond analyzing numbers. He said people's attitudes also are important, and he has noticed a marked difference lately. "Fifteen years ago, if I came and gave my opinion on something, they would say: 'Who are you? We already know everything,'" said Joshi, a native of India who built his career as a doctor and an administrator in a Philadelphia hospital. "But now,

somewhat because of the Internet, when I go to train people I can see a hunger in their eyes. They don't feel they know it all, and this will work to their advantage."

Joshi and his wife now live eight months in Ahmedabad, running a rural hospital, and four months in Philadelphia. Sitting in the back seat of a taxi, which wove in and out of the chaotic traffic of the city, Joshi said most of the troubles of living in India had evaporated for those with money.

Before, it could take four years to register a car; recently, he bought a Honda Civic, paid cash, and the dealer gave him the keys the same day. Before, it took a month to get an Internet connection; now, in Ahmedabad, private companies have almost immediately delivered three Internet lines to his home -- via broadband, cable, and dial-up.

"It's better than the US!" he said of his Internet access. "But if India wants to be a world-class power, it will need to improve infrastructure around the country and it will need to build first-class roads. That will take time."

For Das, the New Delhi-based writer and former head of Procter & Gamble, it will also take time for the rest of the world to understand India. As he walked out of Lodi Garden, he said too many people have compared India with the East Asian "tigers," and thus judging it as falling short of the explosive growth in the 1990s of several Asian countries. Instead, he said, India should be seen as an elephant, which has important cultural and religious significance here. In the Hindu religion, the elephant-headed deity Ganesh brings good luck, joy, and happiness to families.

"We are the elephant of 1 billion people," Das said. "The elephant may not be as fast as a tiger, but it is incredibly strong and it has stamina."

He laughed softly again as he walked home in the dark, past the clutch of beggars.

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