7th

R. K. Talwar
Memorial Lecture - 2016

Castles in Sand :

India and the Tide of Globalization

by

Dr. Ashish Nanda

Wednesday, 24th August, 2016

Indian
Institute of
Banking & Finance

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About Late Raj Kumar Talwar

Raj Kumar Talwar, born in 1922, joined the Imperial Bank of India at Lahore in November 1943 as probationary assistant, immediately after taking his M.A. degree in Mathematics from Lahore University. He had an outstanding career in the Bank. He was Superintendent of Branches and Superintendent of Advances in the Bengal Circle of the State Bank of India and Inspector of Branches under Central Office. In 1961, he was appointed Deputy Secretary and Treasurer in the Bengal Circle. A year later, he moved to the Madras Circle in the same capacity. He became the first Secretary and Treasurer of the Hyderabad Circle when it was created in 1965. In January 1966, Talwar was appointed as Secretary and Treasurer of the Bombay Circle.

On 1st February, 1968 when he was appointed as one of the two Managing Directors of the State Bank, he became the youngest to adorn that office.

A new chapter in the banking industry began with professional bankers taking positions as bank chiefs when Talwar became Chairman of the State Bank of India on 1st March 1969. The youngest Chairman ever, he gave a sense of direction and a new orientation to the Bank as never before. Besides expanding the Bank's business manifold by extending its reach, his missionary zeal saw the State Bank take several initiatives in the areas of innovative banking, rehabilitation of sick industries, credit plans for rural development, etc. He ensured simplification of procedures for financing of small-scale industries and launched new schemes for the benefit of smaller enterprises, small businessmen and agriculturists. He also put in place systems to ensure proper end-use of bank funds besides comprehensive analysis of corporate balance sheet much before the Reserve Bank of India prescribed norms for credit analysis of large advances. It was again his rare vision and foresight that initiated the first ever organisational restructuring exercise of the State Bank in 1971, which withstood the test of time for well over three decades.

A highly principled banker, Talwar was known for his values, integrity, dynamism and professionalism. All through his career, he gave his best to nurture a culture of openness, frankness and transparency in the Bank and bitterly opposed arbitrary decisions. A man of exceptional attributes and indomitable spirit, with an abiding faith in the grace of the Divine and honesty and integrity as his guideposts, Talwar commanded respect both within and outside the Bank. To him, principles dear to his heart were above all else and never was he ready to compromise with them. When he left the Bank on 3rd August 1976, he was only 54. By then, hailed as one of the country's most distinguished bankers, Talwar had galvanized the Bank by his vision, dynamism and dedication. His was undoubtedly the golden era of the State Bank.

He decided to settle in Pondicherry but his connections with the corporate world did not cease as he served on boards of companies and headed the Industrial Development Bank of India for a couple of years in the late 1970s. He was by then more focused on spiritual matters. He lived a spartan life and was often seen moving around the town of Pondicherry on a bicycle. Talwar breathed his last on 23rd April 2002 at the age of 80.

Talwar's name is closely linked with the issue of customer service as he was the Chairman of the Committee on Customer Service (1975). Today, whenever customer service related issues are discussed and debated, the far reaching recommendations made by the Talwar Committee are often quoted.

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on

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INDIAN INSTITUTE OF BANKING & FINANCE

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Castles in Sand : India and the Tide of Globalization

- **Dr. Ashish Nanda** *

I feel honoured to be invited to give the R. K. Talwar Memorial Lecture. I did not have the good fortune to meet Mr. Talwar personally. But what I have heard about him and read of him suggest that he was a truly extraordinary leader in the banking industry, respected even today for his integrity, leadership, and service.

I feel humbled, intimidated almost, to read the names of past speakers who have given this lecture : Professor Rangarajan, my professor when I was a student at IIM Ahmedabad, Mr. Vinod Rai, Smt. Elaben Bhat, the impact of whose transformative work at SEWA on women in remote villages I have had the privilege of experiencing firsthand, Dr. Rakesh Mohan, Mr. N. Vaghul, and most recently, Dr. Arvind Panagariya, who I had the pleasure of listening to at a public lecture only two weeks ago at IIMA.

Unlike many of the past speakers, I am not an expert in banking and finance industry, nor am I a macroeconomic policymaker. I am, however, a student of management. And I would like to share with you some recent developments on the global stage that I believe could have a significant impact on how India engages with the rest of the world. But I argue that despite these recent developments, India should remain steadfast in its commitment to greater engagement with the rest of the world.

The world has shrunk these past few decades, and yet it has been moving apart these past few years. We are part of an unstable world, one that is witnessing the (re)emergence of a great power and the gradual decline of established ones. It is a world riven by strife and beset by great migrations. These forces are leading to the ebbing of the tide of globalization that has lifted the global economy since the Second World War. The new world into which we are stepping is more parochial, more provincial than the one we are leaving behind.

Ebbs and Flows in the Tide of Globalization

To some, it might appear that globalization is an irreversible force that can only proceed along a path of progression. Such has not been the case over time. The tide of globalization has ebbed and flowed in the past, and it will, in the future.

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Commerce linked distant geographies even in archaic times : Sumer with the Indus Valley Civilization, cities from Spain to the Indus in the Greek empire, and the regions through which goods and people flowed along the Silk Road. Wars of conquest and decline of empires intervened though, interrupting trade and fractionating regions.

In more recent times, the industrial revolution, coupled with colonial expansion, knit European nations and their colonies closer. Lord Keynes described the prevailing sentiment towards globalization in the early 1910s as follows :

> The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep; he could at the same moment and by the same means adventure his wealth in the natural resources and new enterprises of any quarter of the world, and share, without exertion or even trouble, in their prospective fruits and advantages; or he could decide to couple the security of his fortunes with the good faith of the townspeople of any substantial municipality in any continent that fancy or information might recommend. He could secure forthwith, if he wished it, cheap and comfortable means of transit to any country or climate without passport or other formality, could despatch his servant to the neighboring office of a bank for such supply of the precious metals as might seem convenient, and could then proceed abroad to foreign quarters, without knowledge of their religion, language, or customs, bearing coined wealth upon his person, and would consider himself greatly aggrieved and much surprised at the least interference. But, most important of all, he regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement, and any deviation from it as aberrant, scandalous, and avoidable.[1] [Emphasis mine]

Europe, for sure, perhaps the entire world, seemed to be on a trajectory of increasing integration. And then, the two World Wars intervened, highlighting barriers and boundaries.

In each of these waves, desire for commerce, spirit of enterprise, and openness to other cultures have led to increasing globalization, whereas concern of losing identity, desire to maintain the status quo, and fear of being exploited by others have heralded retreats.

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1. John Maynard Keynes, The Economic Consequences of the Peace, Harcourt Brace : New York, 1919, Chapter 2.

Post World War II, United Nations, Bretton Woods and Information Technology have heralded yet another wave of globalization, with international trade and investments, the flow of goods and services, the movement of people all contributing to the creation of economic value. And yet, it seems, in recent times, we are experiencing a rolling back of this tide of globalization.

A Tour Around the Globe

As mentioned earlier, I am not a political economist, nor a historian. I am a student of management. My views are based on conversations and observations. This paper does not draw upon an empirical survey or research of a data set. Rather, it is an attempt to draw a pointillist picture of the world based on experiences and deliberations. Having made this disclaimer, allow me to take you on a quick tour around the regions of the world and see if all this adds up to a prediction as to the near future.

United States

The U.S., the world's largest economy, fueled by an energy boom, thanks to fracking technology, and maintaining a relatively young population, due to relatively liberal immigration, has continued to grow, albeit at a slow pace, as one might expect of a mature, large economy. Yet, there are questions aplenty within that nation: How to leverage wealth to society's benefit? How to ensure economic growth is accompanied with increase in employment with good jobs? How to continue to nurture the American Dream of improving living standards with every generation as growth slows and aspirations don't?

Cheap credit and low cost imports keep consumption afloat, along with fears of bubbles and what tapering of credit might reveal as to the true state of the economy. Schisms appear in society, separating the 1% from the 99%, the privileged but threatened white males from the underprivileged but rising minorities. America's shadow on the rest of the world, long and deep, owing to its economic and military might, particularly pronounced since the collapse of the Soviet Union, weakens with the rise of China and with the nation's own uncertainty about adventurism abroad, catalyzed by the disaster of the Iraq invasion and its aftermath.

Europe

Cracks are growing wider in Europe. The Greek crisis and its after math created the impression of a two-speed Europe, a productive and investment oriented North, and a profligate and spending oriented South. Nations in the

European Union have been pondering over whether and how to strengthen the existing union beyond common currency to greater fiscal and even political coordination, in the process placing demands on states that some of the economically weaker ones might find untenable. Britain, one of the stronger states in the European Union, surprised everyone, even itself, perhaps, by voting to exit, intensifying doubts whether a supranational union will hold.

The Brexit vote was driven more by concerns of retaining a cultural identity than by arguments of economic growth. These concerns of retaining cultural and social mores have intensified in recent years as Europe has been buffeted by waves of immigration from strife torn parts of the world. Refugees streaming in from distant lands follow lifestyles very different. Spectacular episodes of terrorism led by individuals, even if few and disaffected, yet identified with and from among recent immigrants, have widened the gulf between the residents and the newcomers. As threats to existing values become imminent and the future appears ambiguous and ominous, European societies have retreated from liberal ideals and relatively open borders that characterized the continent in the decades since World War II.

This social turmoil is occurring within the context of anemic growth, despite extraordinary monetary stimuli, reaching even into the territory of negative interest rates on savings. With population already gray and predicted to gray further in coming years, immigration curtailed (unlike in the US) owing to social and cultural fears of identities being submerged by waves of immigrants, the future appears foreboding.

China

China has emerged, most Chinese would say reemerged, as a major nation and is today the world's second largest economy. Yet, it is going through a period of acute adjustments. The torrid pace of growth emblematic in the perennial ten-percent per annum GDP increase, maintained for two decades from 1991 to 2010, has moderated down.

An extraordinary compact between one of the richest countries in the world and one of its poorer countries, which buttressed both economies over these two decades, is ending. China helped United States sustain huge current account deficits, and thus consume beyond its production, by building reserves of US Treasuries received in exchange for its products, thus ensuring employment in China. But Chinese citizens cannot consume the dollars it has been hoarding and American citizens cannot continue to borrow to live beyond their means. In recent years, especially since the financial crisis of 2008, both nations have been trying to wean off this exchange of employment for consumption. US current account deficits as percentage of GDP have been declining in recent years as the nation becomes more disciplined in consumption, and China's foreign exchange reserves, already three times larger than those of the next country, have begun to decline as it looks to diversify its assets beyond US Treasuries.

China has developed significantly in the past two decades. Yet, growth is plateauing right when the mix of Chinese population is undergoing dramatic change. Partly owing to the government's one-child policy and partly thanks to improvements in healthcare, the demographic profile of the Chinese population is changing dramatically from one of a less developed country, with a large proportion of children and the youth, to one of a mature high-income country, with the elderly constituting a large proportion of the population, all within one generation.

With international demand weakening, wages of its workers rising, and needs for some form of social safety net for its aging population becoming more acute, China faces the challenge of offering gainful employment to absorb the populace in its coastal cities as also the continuing influx of people from the hinterlands to the economic clusters on its Eastern Coast.

As opportunities plateau, the populace's attention is drawn more to the pronounced social inequities that were byproducts of breakneck growth that particularly rewarded those with guanxi, appropriate connections. Aware of public ire towards the rich, especially if the gains appear ill gotten, the government cracks down on corruption, making the rich fidgety and insecure.

All this change is occurring within a social context unlike any other in the world, where citizens have extraordinary economic freedom but social freedoms are severely curtailed. The tradeoff between limiting rights of expression in exchange for improvement in economic well being may have been palatable when economic well being was improving rapidly. As economic growth slows, citizens may no longer be willing to accept the tradeoff.

Mindful of the seething humanity, the stresses generated by slowing growth, and the risk that these stresses could find expression in social unrest, those in power in China might attempt to mollify such tensions by stoking conflict with “others”: territorial disputes with the near abroad and simmering resentments with distant shores. Neighboring countries, sensitive to the shadow that China's size already casts on them, and America, the receding power, suspicious of an alien political and social system, focus on Chinese words and deeds as evidence that the rising giant is not only trying to take its rightful position among the comity of nations but is also pursuing an aggressive policy towards the rest of the world consistent with an expansionist philosophy. Differences spiral quickly into greater uncertainty and withdrawal into nationalistic narratives, in China, among its neighbors, and in the United States.

Japan

Three decades of rapid economic growth, fueled by exports, led to a dramatic rise for Japan from the ashes of World War II to become, by 1990, one of the most developed countries in the world. But following the bursting of the stock market and real estate bubble in the early 1990s, the nation went through the painful "lost decade" of the 1990s, when growth was negligible. Despite continued stimuli, deflationary pressures have persisted. Japan has grown very slowly in the time since, leading to speculation that such a plateau may be the natural growth rate for a mature economy with an aging, declining population. As Japan looks to the future, it foresees slow growth at best, even as it confronts an increasingly assertive China across the East China Sea.

Asian Tigers and South East Asia

The Asian Tigers – South Korea, Taiwan, and Singapore – were among the first Asian nations to fuel growth through active government involvement in building export-oriented industries. Other South East Asian nations (particularly, Vietnam, Thailand, and Philippines) have followed the approach of export-led growth in recent years, all with some degree of success. Proximity to China has helped, as commerce with an economically vibrant China has increased (as for Taiwan), China has been a ready market for natural resources (as for Indonesia), and businesses have moved from China as cost of operations there have increased (as for Vietnam). But China slow down has impacted these economies and the smaller Asian nations are looking for other partners to keep the engine of commerce-led growth humming.

Russia

Russia experienced an extraordinary shrinkage from the late 1980s, the period immediately succeeding perestroika and glasnost, to 2005. In virtually every measure – territory, economic output, population, life expectancy – the nation suffered grievous decline.

As it convulsed with the birth pain of a new state being born, the country experienced tremendous turmoil. Existing rules had been set aside, new rules were not yet formed, and so a frontier mentality took hold where might was right and robber barons laid claim to mammoth shares of national wealth. Faced with lawlessness, rulers reverted to an earlier approach, and society accepted it as the lesser evil: a strong government that maintains order, tames oligarchs, and prevents capture of national wealth, however, a strong government that has accumulated the power to control, dominate, and extort.

As Russia harkens back to the glories of its past empires and looks with dread at the future, the present does not offer much solace. During the aughts, as demand for natural resources grew, the nation used its oil and gas resources to improve living conditions and reestablish a more muscular international presence. However, with world economies slowing down and new sources of energy available, the economic rebound has stuttered and Russia is struggling yet again, hoping that aggressive realpolitik and bluster in the international arena might preserve some pride and recompense for a weakening economy. As the nation struggles, Russians become increasingly certain that Western Europe and the US, enemies of the old, are taking comfort in its current travails, and a querulous attitude towards those nations has developed.

The Middle East

A region rich in history and culture, comprising ancient civilizations, blessed in some parts with a surfeit of oil, the Middle East nevertheless has suffered feuds long-lasting. It has some very rich countries, whose monarchs have fabulous wealth, and other very poor countries, where existence is difficult. Throw in differences in religion and culture and the result is a volatile mix, rife with strife and uncertainty.

The Gulf has oil riches, yet regional rivalries keep the rulers occupied in politicking, and the sparse local population relies on, but does not trust, large numbers of guest workers from other nations. Sectarian conflict, often catalyzed by outside interests, has caused enormous misery over decades in Iraq, Syria, and Lebanon. The Arab Spring brought with it intimations of possible political liberalization but degenerated into cycles of escalating conflict and powerful repression. The cocktail of repressive regimes, religion inspired violence, and angry populace make for suffering and violence and have led to displacement of large segments of population.

Latin America

Latin America, with Brazil, Argentina, and Chile as lynchpins in the South, Venezuela, Colombia, and Peru, in the middle, and Mexico in the North, grew rapidly during the aughts, on the back of growing global demand for natural resources (particularly from China), increasing trade within the region and with other countries (including Mexico with the US, following NAFTA), and expectations of growing economic vitality. The region has struggled in very recent times, however, owing to slowdown in global demand and political uncertainty coupled with questions about quality of governance.

Resource Rich Nations

Relatively sparsely populated resource rich countries, including democracies such as Australia and Canada, and the autocratic Stans of Central Asia, as well as Mongolia, experienced a boom in their economies during the aughts, with growing demand for natural resources, fueled primarily by the extraordinary growth of China. However, with global growth slowing down and rapid growth in availability of shale gas, these economies have suffered recent hiccups.

Africa

Africa is an extraordinary mixture of opposites : birthplace of humanity and yet the "dark continent" till recently, with its natural riches yet abject poverty, risen from colonial exploitation yet suffering from kleptocratic leaders, thinly populated yet divided in more than fifty nations, comprising diverse communities living close together for generations yet marred by episodes of great violence between people, blessed with youthful energy yet with health indicators and life spans among the lowest in the world. In recent years, the continent has grown rapidly, partly because it started from such a low base, and partly because the rest of the world began to take notice of the rich natural resources of the continent.

Anchored by the two giants – Nigeria to the west, with its oil and its people, and South Africa, with its established economy, despite the challenges of poor governance and lawlessness that both face, as do most other African nations – the continent looks to a brighter future. But an average positive trend hides tremendous volatility. Different African nations will go through very different growth trajectories, based on their circumstances, and the same nation will go through significant gyrations in its performance over time, because the continent has weak institutional infrastructure, leading to volatility.

India and South Asia

In this generally dark environment, one bright spot is India. Even as world economy slows down, it continues to grow at a good pace and despite its abject poverty, continuing development challenges, corruption, and political intrigues. A principal reason is that India's economic growth is powered by domestic demand. Its youthful population, societal consensus for economic growth, and political commitment to facilitating commerce are fueling the nation's growth. Neighboring Bangladesh and Sri Lanka will grow too, influenced by buoyancy in the region.

The Receding Tide of Globalization and its Impact on World Businesses

Faced with turmoil across the globe, with unrest leading entire swathes of population on migrations of magnitudes unheard in modern times, economic uncertainty leading to shuttering of windows into a brighter future, fissures becoming more evident between the privileged who have gained from globalization and the weaker sections of society who have suffered at the hands of globalization, nations are growing inward looking, supranational bodies are facing existential challenges, borders are becoming more prominent, and perceptions of conflict between “us” versus “them” grow.

The age of global giants of commerce that bestride the world from nodal megalopolises of commerce may be drawing to a close. It may be time for businesses to consolidate at home as provincialism reemerges. With globalization ebbing, technology (automation and robots) will be employed to substitute for off shoring. Traditional enterprises, bounded by jurisdiction, language, culture, and relationships might yet again begin to flourish. Even international companies will scramble to build local presence.

As businesses look around the world for international expansion opportunities, competition will be fiercer, and opportunities slimmer. Mired in slow growth, graying in demography, yet limiting immigration to maintain their cultural identity, attempting without much success to prime the pump of domestic demand by offering cheap credit, the mature markets of a Europe that is fracturing and a Japan saddled with two decades of deflation, will continue to experience anemic demand, thus intensifying domestic competition, making it difficult for outsiders to break in.

Emerging markets will continue to grow in relative strength. Chinese State Owned Enterprises that have been trawling the world in search of sources of raw material to secure their manufacturing supply chains, will continue to do so, investing in resource rich economies of Africa, South America, Australia, and Central Asia, albeit at a slower pace than during the times of heady growth. Small opportunities will flicker in South East Asia. Africa offers promise, coupled with volatility.

The large markets that will attract foreign companies will be : USA, thanks to innovation and immigration and despite its myriad regulations and intense competition; China, as it transitions from being an export-oriented to a domestic consumption oriented economy; and, provided it cuts red tape and improves ease of doing business, India.

Technology as a Binding Force

There is one major proviso to this prediction of the ebbing tide of globalization. That is the binding force of information technology, which is making the world smaller and geographical distances moot.

In our changing and challenging world, technology is asserting a new dominance. Today, five of the top seven companies in the world in market value are technology companies. For some time now, Information Technology has offered new ways to organize work, promising efficiency and quality. Broad bandwidths have allowed parsing out of work, encouraging outsourcing, remote teaming, and off shoring. Advances in big data, machine learning, and robotics are replacing human activities with automation.

And yet, the biggest impact of technology may not be in more efficient back-offices, but in how digitization is revolutionizing entire industries. Companies such as Uber, WeChat, Air-BnB, and earlier, Amazon, e-Bay, Google, and Facebook have demonstrated that digital business models are fundamentally different from traditional business models. Typically, these new business models involve platform economies that nurture behemoths that cover the globe.

Digitization has revolutionized entire industries. Knowledge and information intensive industries – retail banking, bookshops, news organizations, music industry, education – have been deeply affected. Transformation to digital is disruptive, offers new value to customers, and involves wrenching changes in industries. But no industry will go untouched by this revolution. In valuing higher technology companies that have gathered war chests to invest in major bets, the investing public is expressing the sentiment that major transformation is round the corner. This transformation might bring the world closer together.

Even as political and social forces are decelerating, even reversing, the trend towards greater globalization, digital technology is bridging distances remarkably. The consequence might be a confluence of sentiments among people of simultaneously being part of a global village and yet having local concerns, having an international perspective and parochial considerations. In this world, the most successful of companies might be those that bridge across boundaries to build global brands, but remain responsive to local considerations.

India's Role in this Changing World

The Indian economy is poised at an interesting juncture. Somewhat insulated from the global economy, it suffered less than others from the financial crisis. Fueled by domestic demand, it has been growing robustly in recent years. The Indian population is relatively young. There is a social compact to pursue economic progress and political desire to facilitate it. Thus, India is ready today, as China was in the early 1990s, or the Asian Tigers were in the decades before, to pursue growth.

But with the world economy slowing down and nations raising barriers to commerce, what stance should India take towards the rest of the world? One approach might be to play tit-for-tat, be open to enterprises and people from countries that are open to ours, and resist those from countries that are barring ours. It would be the natural thing to do, and it would be the wrong thing to do. This approach would feel fair and would ensure that countries that bar Indian business suffer economic loss from their actions. But this approach would also be akin to cutting off your own nose to spite your face, for India would suffer too from not allowing access to the other countries' best products and people.

Another approach, oft vaunted by students of the "Asian miracle" would be to follow a proactive industrial policy of privileging export oriented manufacturing companies in specific export zones to jump start the Indian economy much as Shenzhen, Guangzhou, and Xiamen did in China. This approach would allow focused attention to the development of select coastal regions and specific manufacturing industries. Proponents point to China becoming an increasingly costly source of low cost manufacturing owing to the rising wages in coastal China and the opportunity for other, lower wage countries to replace China as a low cost global hub for manufacturing.

Yet, China grew through exports in an environment in which markets in the rest of the world, including United States and Europe, were more open to international commerce than they are today. Countries worldwide have also become sensitive to nations that pursue aggressive export oriented policies without offering reciprocal access and are less likely to be as receptive as they were in earlier times. The Chinese Government also had the authority to build reserves rather than pay the money earned through exports to its workers, thereby raising their wages faster. India does not face as munificent and trade friendly global environment, nor are its democratically elected leaders able to suppress domestic consumption aggressively.

An approach of making differential investments also places enormous responsibility on politicians and bureaucrats. Exercising this responsibility to pick and choose where to invest and what industries to favor would be a good idea if (a) governments have a superior ability to pick winners and (b) politicians and bureaucrats are decidedly acting for the social good. Both assumptions are open to challenge. Governments' record throughout the world has been very mixed in identifying ex-ante which industries to support. Flexibility to make differential commitments creates the specter of currying favors and exerting influence to grant favors, unproductive activities that dampen industriousness and vitiate society.

The best approach for a democratic, dynamic, and confident India would be to remain an open civilization, regardless of how other nations are behaving. People and enterprises would be welcome from anywhere in the world, regardless of how open or closed their home countries are to outsiders. With international expansion opportunities limited, companies from all over the world would seek to establish operations in India. That would provide an opportunity for the Indian host government to establish norms whereby entering companies invest in the country and commit to it long term. But beyond establishing norms for investment in India, the government would facilitate all types of business, not privilege particular industries.

Rather than identify specific areas where special rules of commerce and taxation apply, regulations would be simplified for the entire nation. States would be encouraged to compete with one another to access investments and resources. As an outcome of this competition, clustered townships of enterprises would develop in particular geographies.

International companies would provide good quality jobs to Indian workers, and cutting edge products and services to the Indian consumers. Indian companies would have the opportunity to compete with or partner with world-class companies, thereby encouraging productivity and innovation. In an autarky, businesses, assured of their markets, become inefficient, and seek to preserve their rents by preventing entry. In a competitive environment, the efficient and the innovative thrive. Indian businesses have shown across industries, from software to retail food chains, that they can compete with the best of international companies.

Competition in the vibrant domestic market will nurture businesses that are providing high quality goods and services that can compete with the best in the world. These businesses will look beyond Indian shores to markets abroad. And many of the dynamic international markets of tomorrow – China, South East Asia, Africa – are geographically close to India.

In this approach, the government's role would be to: set norms for entry into India that privilege enterprise and job creating investments over "hot money;" enforce rules of competition that provide a level playing field to all and improve social welfare; and ease business operations through infrastructure investments, clear tax regime, smart regulation, speeding up the execution and enforcement of contracts, and simplifying entry and exit. The government would equip its citizens to work effectively in enterprises through education and healthcare. But the government would eschew from activities that involve it intensively in industrial activities, or lead it to pick industries or companies or regions to favor.

In many ways, this is the trajectory India has been moving on for the past few years, perhaps slower than many would like. Even as the tide of globalization ebbs in the world, India should continue on this path of establishing an open economy. This approach would resonate with what the Indian culture has been since ancient times : open to visitors from near and far, trading not only in goods but also in ideas and thoughts, confident and curious, rich through exchange.

Our nation may be at an inflection point, with gathering resolve to push for economic growth, with population assured and eager. At this inflection point, even as clouds gather, and some of the rest of the world becomes introverted, India must recommit with resolve to the path of opening up to the world economy.

As Antonio says eloquently in a different context in The Tempest, history and the environment have set the stage; it is up to the India of today to act decisively and thereby take charge of its destiny.

We all were sea-swallow'd,
Though some cast again,
And by that destiny to perform an act
Whereof what's past is prologue,
What to come
In yours and my discharge

– *William Shakespeare, The Tempest*

About the Speaker

Dr. Ashish Nanda is Director of Indian Institute of Management, Ahmedabad. In addition to his administrative responsibilities, Professor Nanda teaches in PGP, PGPX, and Executive Education programs at the Institute.

Before joining IIMA, Nanda was Robert Braucher Professor of Practice at Harvard Law School, where he taught in the JD program and was faculty director of Executive Education, faculty director of Case Development Initiative, and research director at Program on the Legal Profession. Nanda was at Harvard Law School for seven years. Before that, he was a Harvard Business School faculty member for 13 years, where he taught in MBA, DBA, and Executive Education courses. He is Distinguished Executive Education Fellow at Harvard Law School and Executive Education Fellow at Harvard Business School.

His research, in the form of conceptual articles, case studies, surveys, and large sample empirical analyses, focuses on professional services. It encompasses three streams – management of professional service organizations, professionals' labor market, and professionalism. Nanda has taught courses and programs on leadership particularly in the professional services context.

Dr. Nanda has Ph.D in Business Economics (Harvard), AM in Economics (Harvard), PGDM in Management (IIM Ahmedabad), and B.Tech. in Electrical Engineering (IIT Delhi). Before his Ph.D, he worked for five years with the Tata group of companies as Tata Administrative Services Officer.

A recipient of IIT Delhi Distinguished Alumni Award, Henry B. Arthur Fellowship, Harvard University Center in Ethics and the Professions Fellowship, President of India Gold Medal (twice), and IIMA Director's Gold Medal, he has published several case studies and Harvard Business Review articles and is a co-author (with Tom DeLong) of Professional Services : Cases & Text.

Dr. Nanda has advised professional service and human capital intensive organizations including asset management, investment banking, accounting, advertising, engineering consulting, executive search, human resource consulting, IT consulting, management consulting, public relations, and real estate firms; law firms and legal departments; and pharmaceutical corporations. His work with these organizations has spanned advisory board membership, strategic planning, organization design, governance systems, succession planning, compensation systems, recruitment and promotion practices, leadership development, and coaching senior executives.

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