

From the Desk of...

Gurcharan Das

Writer and Commentator on India

Issue No. 35 - Jan 2009



© copyright The Insight Bureau Pte Ltd / Gurcharan Das

Why China is afraid of India; Gurcharan Das, former Indian CEO, now writer and speaker on India, shares his thoughts on India's future.

China and India are in a struggle for a top rung on the ladder of world power, but their approaches to the state and to power could not be more different. Two days after last month's terror attack on Mumbai, I met with an influential and disarming Chinese friend who was visiting India on business. He was shocked as much by the transparent and competitive minute-by-minute reporting of the tragedy by India's dozens of news channels as by the ineffectual response of the government. He had seen a middle class housewife on national television tell a reporter that the Indian commandos delayed in engaging the terrorists because they were too busy guarding political big shots. He asked how the woman could get away with such a statement.

I explained the Indian art of irony, and how sarcasm resonates in a nation that is angry and disappointed with its politicians.

My friend switched the subject to the poor condition of India's roads, its dilapidated cities and the constant blackouts. Suddenly, he stopped and asked, "With all this, how did you become the second-fastest growing economy in the world? China's leaders fear the day when India's government will get its act together." The answer to his question may lie in a common saying among Indians that "our economy grows at night when the government is asleep." As if to illustrate this, the Mumbai stock market rose after the terrorist attacks. Two weeks later, in four state elections, incumbents were ousted over economic issues, not security.

All this baffled my Chinese friend, and undoubtedly many of his countrymen, whose own success story has been scripted by an efficient state. They are discomfited that their chief ally, Pakistan, is consistently linked to terrorism while

across the border India's economy keeps rising disdainfully. It puzzles them that the anger in India over Mumbai's tragedy is directed against Indian politicians rather than Muslims or Pakistan.

The global financial crisis has definitely affected India's growth, and it will be down to perhaps 7 percent this year from 8.7 percent in 2007. According to my friend, China is hurting even more. What really perplexes the Chinese, he said, is that scores of nations around the world have engaged in the same sorts of economic reforms as India, so why has India's economy become the developing world's second best? The speed with which India is creating world-class companies is also a shock to the Chinese, whose corporate structure is based on state-owned and foreign companies

A common saying among Indians is "our economy grows at night when the government is asleep." As if to illustrate this, the Mumbai stock market rose after the terrorist attacks.

I have no satisfactory explanation for all this, but I think it may have something to do with India's much-reviled caste system. Vaishyas, members of the merchant caste who have learned over generations how to accumulate capital, give the nation a competitive advantage. Classical liberals may be right in thinking that commerce is "natural", but it helps if there is a devoted group of risk-taking entrepreneurs around to take advantage of the opportunity. Not surprisingly, Vaishyas still dominate the Forbes list of Indian billionaires.

In a much-discussed magazine article last year, Lee Kwan Yew, the former premier of Singapore, raised an important question: Why does the rest of the world view China's rise as a threat but India's as a wonderful success story? The answer is that India is a vast, unwieldy, open democracy ruled by a coalition of 20 parties. It is evolving through a

daily flow of ideas between the conservative forces of caste and religion, the liberals who dominate intellectual life, and the new forces of global capitalism.

The idea of becoming a military power in the 21st century embarrasses many Indians. This ambivalence goes beyond Mahatma Gandhi's nonviolent struggle for India's freedom, or even the Buddha's message of peace. The hesitant, skeptical Indian temper goes back to the 3,500-year-old "Nasadiya" verse of the Rig Veda, which meditates on the creation of the universe: "Who knows and who can say, whence it was born and whence came this creation? The Gods are later than this world's creation. Who knows then whence it first came into being?" When you have millions of gods, you

Both the Chinese and the Indians are convinced that their prosperity will only increase in the 21st century. In China it will be induced by the state; in India's case, it may well be despite the state.

cannot afford to be theologically narcissistic. It also makes you suspect power.

Both the Chinese and the Indians are convinced that their prosperity will only increase in the 21st century. In China it will be induced by the state; in India's case, it may well be despite the state. Indians expect to continue their relentless march toward a modern, democratic, market-based future. In this, terrorist attacks are a noisy, tragic, but ultimately futile sideshow.

However, Indians are painfully aware that they must reform their government bureaucracy, police and judiciary — institutions, paradoxically, they were so proud of a generation ago. When that happens, India may become formidable, a thought that worries China's leaders.

This article was originally written by Gurcharan Das as an op-ed for the New York Times on 1st January 2009

About Gurcharan Das and The Insight Bureau

Mr Das is a highly respected author and commentator on Indian business, politics and economics. Based in New Delhi, he was the Chief Executive Officer of Procter & Gamble India and Vice President for Asia and completed his corporate career in the USA as head of strategic planning. Mr Das writes a Sunday column for The Times of India and occasionally writes articles or is interviewed for The Wall Street Journal, Financial Times, Foreign Affairs, Time, Newsweek and the New York Times. He is best known for his internationally-acclaimed book *India Unbound: The Social and Economic Revolution From Independence to the Global Information Age* which follows the changes of the past fifty years in India; an essential insider's road map to India. He regularly speaks at international business conferences held in India and overseas, and advises multinational corporations on embracing globalisation and developing strategies for India.

Gurcharan Das, is part of The Insight Bureau's resource network, providing speeches and presentations at business conferences as well as confidential, in-house briefings to senior executives. This is a service that helps achieve a better understanding of the world in which we do business and ultimately enables companies to make better business decisions.

www.insightbureau.com

+65-6300-2495

engage_us@insightbureau.com

Disclaimer: The Insight Bureau Pte Ltd accepts no liability for the content of this document or for the consequences of any actions taken on the basis of the information provided. Any views or opinions presented herein are solely those of the author(s) and do not represent those of The Insight Bureau.