Chapter H

ASEAN and India: A Mutually Strengthening Paradigm/Vision

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H.1 ASEAN and India

India is an awakened power in Asia. Thanks to its British heritage, now, it is a great knowledge-power. It has the third largest volume of technically trained manpower in the world. India produces 2.5 million graduates and diploma holders every year through its more than 300 universities and 15,000 colleges. Among these are the IIT’s and IIM’s, which produce the world class technocrats, scientists and managers. With a literate population of 500 million to back up the millions of technically trained graduates, the country is poised for a tremendous technological growth, particularly in Information Technology and Bio-technology.

With the launching of new economic policy in 1991, the processes of liberalization, privatization and globalization (LPG) have not only taken deep roots in the country but also contributed to the tremendous growth of the economy in the past 15 years. Controls were eliminated, regulations were minimized, and license permit raj has been dismantled!

As a result, growth increased to 7.5% a year in the mid 1990s; exchange reserves went up from 1 billion to 20 billion. Inflation came down from 13% to 6% by early 1990s. Of course, India was 15 years behind the liberalization programme of the Deng’s revolution in China in December 1978; India learned to specialize in the knowledge industries of tomorrow. Hundreds of entrepreneurial professionals have come into existence in twenty-first century India and there are now more than 500 software companies in Bangalore, which has become the silicon valley of India. Infosys, one of the country’s software companies, has seen an increase in capital to around US $15 billion within a decade from its starting capital of US $500. Similarly, Azim Premji had become the third richest man in the world with the market capitalization of his software company crossing US $46 billion, or around 11% of India’s GDP (Gurcharan Das, 2001). McKinsey projects that the Information Technology industry alone may provide one million jobs with about US $50 billion in revenues by 2010. Thus, India is now on the march, even if its pace was slow in the later part of the twentieth century.

With the declaration of the new economic policy (NEP) and with the background of the hundreds of public sector companies during the Nehruvian period, which
provided millions of secure jobs to Indians, India now has the largest middle class population in the world. Though official estimates put them at around 250 million, many other reliable studies estimate the size of the middle class at ~350 million. In other words, this is the consumer population. They are in a position and ready to consume anything and everything from kitchen goods to toiletries, FMCGCs, from scooters to automobiles. Strangely enough, India’s rural situation has changed so drastically over the last 3–4 decades that the rural markets in many affluent agrarian pockets are consuming as much as the urban middle class!

Thus, India offers perhaps the third largest market for consumption next only to the US and European markets in the scope and volume of business.

In addition to the comfortably consuming population of 350 million, the country has one of the largest networks of transport in railways, land routes and shipways. It has a well-developed infrastructure. Though power generation in India is yet to be accelerated, all other infrastructural facilities are in place to complement any foreign business investment. In short, India is poised with the right climate for a steady and fast growth (as East Asian tigers did some years before).

It is in this context that ASEAN in general, and some of the ASEAN countries in particular, may prefer to have mutually strengthening business collaborations and trade agreements with India. India is in a unique position to offer her knowledge services in Information Technology and bio-technology to these countries at rates which are at least as competitive as those of other regional competitors.

It should be mentioned here that software exports have been growing at 60% a year over the past few years in India. They are expected to increase to US $50 billion by 2008. Out of 19 top global software companies, 12 were Indian companies. More than 400 portals have been launched every month over the last few years, backed by scores of venture capital funds. Likewise, McKinsey projects that remote services in India could become a US $500 billion business, employing 1–2 million Indians in the coming 2 years (Gurcharan Das, 2001). Thus, India is going through a silent information revolution through e-mail, chat rooms, browsing and e-commerce, in addition to software services. The 20 million Diaspora Indians spread all over the world are contributing to this internet revolution.

It is in this context and scenario that individual ASEAN countries could profit from mutually-enriching business collaboration with India in information technology.

Of course, here we should note that China is a great power in Asia. Its manufacturing prowess is something colossal. With a roaring export engine, China – like the US – in a quota-free world is a great driving force for the global economy.

China already has some sort of special relationship with ASEAN countries in the form of ASEAN + 3 relationship (with China, Japan and Republic of Korea). Yet ASEAN countries, particularly some of them in certain areas (e.g., textiles) cannot compete with China.

China is currently the largest exporter of textiles and clothing, with a market share of 17–18% of the world. China’s ability to compete in textiles is going to affect many countries including Cambodia, Bangladesh and India and even some of the ASEAN countries.