ASEI

11TH NATIONAL CONVENTION

EMERGING BUSINESS OPPORTUNITIES IN INDIA

SEPTEMBER 4, 1994

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Hari Birdal

AMERICAN SOCIETY OF ENGINEERS OF INDIAN ORIGIN

VISION

ASEI TO BE:

- A nationwide network of engineers of Indian origin
- A forum to assist members in advancing their careers
- A facilitator of Technology Transfer between U.S.A. and India
- A national professional organization with the goal of "service to its members"

ASEI ACTIVITIES

CAREER ENHANCEMENTS

- Provide Career Guidance and Counseling
- Facilitate Networking
- Assist in Skill Development through continuing Education Courses and Technical Seminars
- Encourage PE registrations

TECHNOLOGY TRANSFER

- Conduct Workshops on How to Transfer Technology to India
- Assist in Development of Rural India
- Provide Communication Channels for Retired Engineers
- Disseminate Opportunities in India for NRIs.

STUDENT AFFAIRS

- Providing Guidance To Students
- Establish Merit Scholarships
- Assist in Practical Training And Job Placement

LIAISON WITH INDIA

- Establish working relationship with government and private organizations in India

ORGANIZATIONAL MATTERS

- Establish a National Office
- Establish an Editorial Board and Publish Quality Newsletter
- Increase Membership
- Publish Membership Directory
- Increase Awareness of ASEI
- Facilitate Local Chapter Meetings

CONVENTIONS & AFFILIATIONS

- Conduct Conventions throughout U.S.A.
- Cooperate with Other Professional Societies with Similar Goals.

LOCAL CHAPTER ACTIVITIES

- Conduct bimonthly meetings to promote discussion/participation on current events
- Communicate with ASEI National Office and other Local Chapters

American Society of Engineers of Indian Origin
Membership Benefits Guide

Networking

ASEI offers a unique opportunity to you to make contacts and network with fellow professionals who share your interests. Networking leads to mutually beneficial opportunities and relationships.

Convention

Each year ASEI holds a nationwide annual convention. Conventions and workshops are also held locally by each chapter. Recognition is provided to outstanding people through awards.

Local Chapter Meetings

Local chapters provide members the opportunity to meet each other, network, communicate/generate new ideas, attend career development seminars, build beneficial relationships and learn from each other. Chapter meetings are geared towards the needs of the members. Periodically, plant tours, mini-conventions and development workshops are conducted. Monthly programs emphasize business/consulting topics, career development topics or immigration/interviewing/resume topics, depending on the chapter membership interests.

Committees

Committees are charged with the responsibility to accomplish specific ASEI goals which are common to all chapters. Committees can also be looked upon as the R & D arm of the chapters. Committees develop programs or workshops that can be used at the chapter level or at annual conventions. Members are encouraged to actively serve on committees.

Career Enhancement

ASEI assists each member by career planning and enhancement assistance. Two key programs are customized workshops (at local chapter meetings and at the annual convention) and mentoring programs to personally discuss career issues.

Membership Directory

The ASEI directory can help you find fellow members. Information is also available on company affiliations and expertise. The directory is updated annually. ASEI sends a free directory to all members.

Employment Directory

Refferral assistance is provided to members looking for work. Employers are encouraged to recruit ASEI members through job fairs and to meet their minority hiring goals.

Publications

ASEI plans to make available publications on relevant subjects such as career development, tech transfer and immigration to its members. These publications will be developed by ASEI committees.

Corporate Membership

Corporate membership is open to companies actively engaged in engineering, architecture and related arts and sciences. Benefits include up to $150 credit toward your first display ad in the monthly newsletter, exclusive access to a no-fee professional employment placement service, a $100 credit toward your first display ad in the annual convention brochure, discounted rates for exhibit space at annual and local conventions, and a Corporate Member listing in the membership directory.

Technology Transfer

ASEI assists Indian and U.S. companies by bringing together technology experts in the desired industry. Lists of experts, businesses and technical articles are maintained. Technology liaison is maintained with Indian organizations and with other associations in the U.S.

Trade Assistance

ASEI plans to acquire and catalog trade laws and policies. Facilitation assistance is provided to trade delegations from Indian or to U.S. companies.

Business and Consulting

This committee assists business and consulting firms in areas of mutual interest.

Student Affairs

ASEI assists students by providing scholarships, opportunities for contact with businesses (job search), in immigration matters (workshops) and other beneficial services such as resume writing, career planning and individual guidance and mentoring.

Newsletters

The newsletter is sent to all members and is intended to be informative and educational. It communicates key events and news.

Scholarships and Awards

Student scholarships are awarded based on merit and need. ASEI recognizes outstanding individuals for their professional and entrepreneurial contributions.

A MESSAGE FROM THE CHAIRMAN

Have you been to India lately? Well, it might be worth a trip to see what economic reforms introduced in 1991 have done to India. At the time when India has embarked upon the path of economic liberalization, the Indian engineers and professionals in the USA who have done so well in this country, can make a significant contribution towards India's economic growth, modernization, global competitiveness and increased standard of living for all Indians.

With the economic reforms well in place, great business opportunities exist in India. As it was said over and over again in our national convention last year – you will be crazy not to do business with India now if you have any inclinations for doing business. The potential for business opportunities in India comes from its size. India's economy is the world's fifth largest and has a domestic market of over 200 million urban middle-class consumers, approximately the size of the USA population. According to Indian Embassy, over 700 technical and financial collaborations have been already approved between the American and Indian companies. Many American companies are investing in India in the power sector. This sector still needs more than 15,000 MW of power generating capacity in the next three years and offers an attractive guaranteed minimum rate of return. Many other such opportunities do exist.

What better way would be for Indian engineers and professionals to pay debt to their profession as well as to their motherland than to take advantage of these opportunities. This will not only help you but also your motherland. With these in mind, the theme of the convention this year has been chosen to be "The Emerging Business Opportunities In India". I welcome you all to this convention. Thank you and good luck.

Chandrika Prasad
September 4, 1994

American Society of Engineers of Indian Origin

1994 Organization

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11th National Convention Committee

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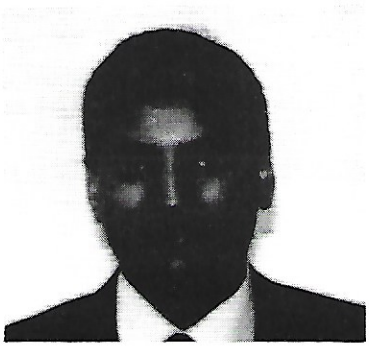

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Bala V. Balachandran
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1. Liberalized India: Momentum

Since the economic liberalization began in 1991, India has been the cynosure of business communities in the western world. In 1991, the economic reforms sparked a wave of interest among the U.S. corporate community and ushered in a series of investment proposals. How much of this was consolidated during 1992?

The year 1992 began with a promising budget and an unprecedented flow of foreign investments into India. The writing was on the wall for India's accelerated entry in the league of rapidly industrializing nations. Sweeping changes in India's industrial and economic policies were made as a part of a structural adjustment program supported by the International Monetary Fund and the World Bank. A tight money supply kept the economy in check and brought down inflation to a respectable 8.6 percent by the end of the year. However, the year ended on a disturbing note as the twin issues of stock scandal and communal disturbances seemed to overwhelm the reforms.

Just as the progressive 1992 budget of the finance minister, Dr. Manmohan Singh seemed to bolster international investors' confidence in the Indian economy, a break in momentum came in the form of investment banking scam involving top bankers, brokers and business executives, shaking the confidence and integrity of the financial system.

During the year, relations between India and U.S. were at an all time high - joint naval exercises in the Indian Ocean, India's recognition of American ally, Israel and the setting up of Indian and Israeli consular offices at Tel Aviv and New Delhi respectively, exchange of cultural, scientific and technical know how, and U.S.'s support for a permanent seat for India at the U.N. security council. Minor irritants such as standoffs in nuclear non-proliferation treaty, intellectual property rights protection and human rights violation continued to remain, however. India's ties with other industrialized nations too were strengthened during the year.

However, toward the end, the communal disharmony created by the Ayodhya incident shook the fundamental tenet of secularism in Indian constitution. The muscle match between the Hindu zealots and Muslim fundamentalists threatened to take the heat out of the burgeoning business environment. The Wall Street Journal summarized the progress and setbacks as "Two step forward in economic path and one step backward" for the country.

Burning questions still remain:

- Will secularism be rescued or buried?
- Will the economic reforms be derailed by such incidents?
- Can the stability of financial system be retained?
- Will China checkmate India in investments and trade or will democracy ultimately prevail over communism?

The liberalization drive appears to be irreversible and Prime Minister Rao has reiterated this time and again. It seems the reforms will continue with the same vigor even if the opposition party comes to power. The verdict on this seems to come from the growing middle class (over 250 million) whose overwhelming power

can be seen in the tremendous surge in shareholder population and stock market activities

The Indian government's setting up of National Stock Exchange and permission to Over the Counter Exchange of India to trade in permitted securities and corporate debentures has sent clear signals that future of stock exchange system is in safe hands. Only recently, the Indian government has approved a $2.65 billion proposal by the ENRON corporation of the U.S. for a gas fired power station in Maharashtra with GE and Bechtel Enterprises. Even India's defense production and the mighty ONGC have been placed under the "de-classified" companies, which will go private, as announced in February this year.

India seems to be limping back to normalcy, thanks to the recent respite in communal violence. Against this backdrop, India's new national budget appears to have rolled the red carpets further for increased foreign investments. With the full convertibility of the Rupee, tax holidays for enterprises locating in rural areas, opening of key industries such as power and energy for foreign investment, India has reiterated its commitment to free enterprise. Also tariffs and import duties on a variety of items have been slashed - another signal of India's continued belief in free trade.

Despite a host of disadvantages - a communist government, relatively fewer English speaking professionals, inadequate legal framework, prison labor, violation of intellectual property rights, China seems to be more attractive to multinationals. Is this due to its political stability or earlier initiation of economic reforms or any other reason? How does a strongly democratic nation such as India with abundant trained and talented professionals stack up against China on a long-term basis? How do the following developments related to China affect India's relative attractiveness? Nomination of former U.S. ambassador to China, hard liner Winston Lord as the Clinton administration's key Asia specialist and signs of frayed trade relations caused by illegal textile shipments to the U.S. from China chip away at China's position. Even as the effect of budget announcement trickles in, the temporary setbacks may be viewed as a window of opportunity by the Indian government and the corporate sector to overhaul the system, in order to enhance India's relative attractiveness.

II. Liberalized India: Money

The partnership between the strongest and the largest democracies in the world is here to stay. India offers investment and trade opportunities that is drawing U.S. investors' attention by the day. Because of the momentum of new economic policies, the stage is set for exploring the advantage that lies in investing in India. The latest budget announced by Dr. Manmohan Singh provides lots of opportunities to multinationals and foreign institutional investors. It is clear there is a tremendous amount of money flowing into India as seen in the India's turnaround shown in Figure 1.

Soon after the world's investment banks discovered India last summer and started a flood of equity investment the totals soared about US $2 billion. India as an elephant, deep rooted on its feet with massive momentum got a good shot in its arms with lots of money, enough to pay back part of its debt to the IMF ahead of time, has now arisen. Sure enough when other Asian tigers are running fast (China, Hongkong, Malaysia, Singapore, Indonesia), India is ready to move fast. But that needs great management and a focused growth.

Figure 1: India's Turnaround

Growth in (%)	**1990-91**	**1993-94**
GDP	4.9	3.8
Exports (In US $)	9.2	19.9
Imports (in US $)	13.5	-1.3
Consumer prices	13.6	8.6
Change in (US $)		
Trade deficit	9.4 billion	1.6 billion
Foreign Investment	165 million	3.0 billion
Foreign reserves*	2.2 billion	10.9 billion
Foreign debt*	84.0 billion	90.0 billion
Balances (as % of GDP)		
Current account deficit	3.3	0.5
Govt. budget deficit	8.4	7.3

* Year end Source: Indian Government

III. Liberalized India: Management

India with its built-in momentum as an elephant, and newly generated money due to continuous liberalization, delicensing, and opening up, has to be properly managed. The economic reforms have to parallel bureaucratic reforms. If the licensing and controls are more than 50 percent eliminated, why the bureaucracy is also not 50 percent eliminated. Now India needs reforms in management. Old management cannot deliver new policies. I suggest "Panch Sheel" in the words of Pandit Nehru adapted for today–the 5E's for Indian global excellence. These are ECONOMY; EDUCATION; ENVIRONMENT; EQUITY AND EMPOWERMENT.

1. Economy: has changed from socialistic pattern of protected, licensed economy to a decontrolled, delicensed and deregulated economy. Free market and efficiency should be the name of the game. Gradual progress for a totally open economy is essential. Care should be taken to protect the wounded.

2. Education: India's middle-class and top class are well educated. However, 70 percent of the 900 million is still not educated. Here is a place, where many NRI's and India's Business community can educate the rural masses in terms of "street smartness", cooperative farming and agriculture and awareness of politicians so that a "true" democratic government is made and elected officials are accountable and responsible to the educated electorate. Israel's Kibbutz (Cooperatives) and Moshafka's can be great models to follow managed governance in villages. Each business should "adopt" a village as Lupin Labs is doing now.

3. Environment: An environment conducive to trade, business growth, market awareness, marketing ideas needs to be created so that exports and contract manufacturing can flourish. The State governments and the Centre should work in tandem to promote business opportunities and trade on an international level - MBA's and IAS officials should be rewarded on results and performance and not based on seniority or connections. Perks, privileges and patronage, the 3P's practiced in India should change to productivity, performance and profitability.

4. Equity: we need equity and not equality. Unless there are performance based incentives for professionals and bureaucrats, performance and productivity will not grow. Equality nurtures mediocrity and unnecessary inefficiencies. Results based on equity, pay for performance are hallmarks for excellence. No-one deserves a raise or a promotion just because one stayed in job for 365 days. They should 'earn' that. Also, a "level playing field" is necessary for NRI's and Indian investors to be interested. Discriminatory taxes are not acceptable (see Figure 2).

Figure 2: Unlevel Playing Field

Category	Short Term (%)	Long Term (%)	Dividend (%)
Indian residents	40	20	-
Indian Companies	46	30	-
NRI individuals	40	20	20
NRI (OCBs)	55	20	20
FIIs	30	10	10

5. Empowerment: The organizational layers of authorization, approval and administration creates paperwork, corruption and incompetence. If people are educated with equitable compensation, they need empowerment to make decisions. This will avoid red tape and delays. In these days of cycle time reduction, time based management, empowerment is absolutely essential .

With a judicial balance of these 5E's, a balanced performance score card and a liberalized trade and investment policies with a well managed economic policy, executed skillfully and managed magnificently, will lead India to become an economic super power in 5 years.

"Motors Trading's Initiative - Automotive Components from India"

L. J. (Les) Schoonover
Executive Director-International Trade
Motors Trading Corporation
(A Subsidiary of General Motors Corporation)

In line with Motors Trading's core business, as performed on behalf of General Motors Corporation - to assist with the support of the General Motors product sales and plant operations, worldwide-export programs are developed to address counter trade or balance of trade issues, foreign exchange, local content, government relations, etc. In addition, more recently, Motors Trading has been designated by GM Worldwide Purchasing to serve as the primary interface to identify and develop potential automotive component suppliers in countries around the world where GM does not have a major presence such as India.

During the last 18 months, Motors Trading has traveled four times to India and has sent approximately 500 bid packages to various Indian manufacturers. After the first two trips whereby 103 Indian manufacturers were met and/or visited and some 110 bid packages were subsequently generated, it was realized that without "appropriate representation", business opportunities would be limited. Thus, Motors Trading took the initiative to develop and implement a "U.S. Manufacturer Representative" strategy to accelerate the introduction of new low-cost suppliers to General Motors as well as support industries; e.g., tier one suppliers. On the last two trips, Motors Trading led a delegation of U.S. Manufacturer Reps to India. As a result, about 35 Indian Manufactures signed on with a U. S. representative to provide the necessary sales, engineering support, as well as handle warehousing, distribution and other business issues.

Also, on the last trip, GM Powertrain, took the initiative to send a supplier development engineer along with the delegation to perform a "Supplier Capability Evaluation". Further, as a follow-up to our efforts, on April 26 and 27, 1994, the Engineering Export Promotion Council of India held the Indian Automotive Components Manufacturers Expo at the Radisson Plaza Hotel, Southfield, Michigan. About forty Indian manufacturers, serious about addressing the U.S. automotive industry, many of which recently signed on with a manufacturer rep, participated in the Expo.

In summary, 143 India manufacturers have been met and or visited while in country. Based on a 5-point scale, 70% have been rated mid to high potential, most of which are ISO9001 or 2 certified or will attain final certification within the next few months. Many of the Indian suppliers have been placed on the General Motors Master Bidders List. Of the 32 Indian manufacturers who received a supplier

capability evaluation, 18 were rated quote/sourcing ready and 8 were rated ready with minor improvements.

To date there are only a few successes; however, it is anticipated that within the next few months we will see more results. Likewise, any successes in our global sourcing efforts in India will automatically address the core business of providing support for the General Motors activity in India.

Shortly, MTC will embark on a fifth three-week visit to India. This time there will be a delegation of four or five of the rep firms who have accompanied a Trading Corp. on one or both of the previous trips as well as representatives from two new firms. In addition, it is anticipated that up to 20 GM buyers and engineers will come and go at different times throughout the duration of the trip to visit and work with specific manufacturers as well as visit others in their field of interest or expertise, time permitting. The stage is now set for automotive components from India.

Mr. Schoonover is a thirty-one year veteran of General Motors who has had a variety of assignments in international trade, purchasing, marketing and material handling, encompassing various levels of involvement with many industries.

Some recent positions held include Manager of Corporate Contracting and Manager of Tires and Wheels; in charge of all domestic passenger car and truck tire sourcing and coordination of the corporate wheel requirements.

Joined Motors Trading in September 1989 as Director, Commodities, and was soon after appointed Director, International Trade, European Operations. In September 1991, promoted to Executive Director, International Trade. In October 1992, accepted the additional country responsibility of India.

THE ECONOMIC RENAISSANCE OF INDIA

DEVENDRA MISHRA
PRESIDENT, International Ventures
Technicolor, Inc.

THE UNEXPECTED ERA. The 90s have ushered in unprecedented changes in the world that people have embraced with exuberance and hope. Amongst these, India's economic renaissance since 1991 has received the scrutiny and support of the investment community world-wide. In July 1991, India had only enough foreign currency to pay for about a fortnight of imports. After having been strapped to socialism for 44 years, the Indian Government ushered in an unexpected era of sweeping economic policies and changes. As most crises give birth to opportunities never envisioned before, India's enlightened leaders dealt with the bankruptcy of the country caused by the evaporation of the $2 billion in annual remittances from Indians working in the Gulf States after the Iraqi war, and due to the dismantling of the Soviet Union which had been the provider of cheap oil and defense armaments. Today we are witnessing a nation determined to be globally competitive.

NATIONAL ECONOMIC AGENDA FOR REFORM. More important, from the viewpoint of foreign investors the liberalization process of the government has welcomed foreign investment, both in industry and in the financial sector. Of all the many economic policy errors made in India over the last four decades, none so damaged the economy as shutting it off from international markets. The basic liberalization of the Indian investment policies consists of a wide range of substantive reforms.

- To upgrade technology and attract foreign investment, a system of automatic clearances for financial and technological investment has been established. Foreign equity participation can be 51% without requiring approval, but can be 100% otherwise in most industries.
- The use of foreign brand names and trademarks, formerly prohibited, is now allowed.
- Non-resident Indians may now hold up to 100% of a company's equity, with full repatriation of profits and dividends.
- Prior government approval not required for entering capital markets
- The stultifying aspects of the Monopolies and Restrictive Trade Practices Act have been given a quiet burial.
- Restrictions on importing capital goods have been abolished, except for a few items.

THE UNTAPPED INDIAN MARKET. Nearly seven centuries ago pioneers and risk-takers set sail to India for its riches - herbs, spices and diamonds. Today, a similar scene is witnessed as cautious investors rush to the same land to seize the economic opportunities that exist. None of the foreign companies are investing in India for cheap labor as is China's main lure. The basic attractions are India's large open domestic market and the enormous pool of skilled labor.

According to Forbes, Some 40 million Indians - the super-haves, as the local media call them - live in households with annual incomes of over 900,000 rupees, or $30,000; in purchasing-power terms, that approximates to an income of $600,000 in the U.S. These families travel and educate their children abroad and drink Coke. Down a rung is the middle income class of India where 150 million people live in households with incomes of $1,000 and up, with total purchasing power of $20,000 in U.S. terms. They can afford color TVs, washing machines and motorcycles. Above all, this group is increasing by 5 to 10% a year and is projected to grow to 400 million people within a decade.

A comparison of the per capita income of the developed nations with that of India indicates a tremendous disparity, which in other words represents the opportunity for potential growth. Exhibit I indicates that India's per capita income is 5% of America's. On closer examination of the goods purchased in the major countries of the world, one finds that the household penetration of televisions, telephones, automobiles and computers in India is less that 0.5% of that in the U.S.A. Obviously, the domestic market for consumer goods is huge. Further, the supporting services required for the manufacture and distribution of these products to name a few, and the overall infra-structure required for the economy, represent a massive opportunity for growth.

Exhibit 1: THE CONSUMER SECTOR HOLDS CONSIDERABLE POTENTIAL FOR GROWTH

	1992 population (millions)	1992 per capita GDP/GNP*	Televisions	Telephones	Autos	Computers
India	884	$ 1,150	32	10	2	0.16
China	1,190	1,680	31	11	1	0.43
South Korea	44	8,320	210	320	27	28
Hong Kong	6	18,520	274	420	29	33
Japan	125	19,390	620	440	285	69
United States	254	22,130	815	450	589	92

Per 1,000 population (1990 figures) * Based on purchasing power equity

SOURCES: World Bank, IMF, Organization for Economic Cooperation & Development, International Labor Organization

- THE DAWN OF A NEW AGE. Since 1991, India has experienced a frenzy of investment activity where non-linear changes in the marketplace with exponential characteristics have swept the nation. It is the rate of change which has been awesome, whether it is in communications, advertising, social values, business deals and collaborations, stock market, rural distribution, consumer products entertainment, or in financial institutions. Some of these changes are so radical that they are uprooting the fabric of the society. A sample list of unprecedented phenomena described below provides assurances that the inertia of an ancient society is being swept away in order for India to become a major industrial power at the turn of the century.
- Star TV has grown to 8 million households since January 1992.
- 24-hour MTV is bombarding the minds of the young ones.
- Nearly 280 theaters exhibited Jurassic Park dubbed in Hindi with record attendance.
- The Walt Disney animated cartoon, The Jungle Book, is dubbed in Hindi and is being shown on national TV.

- SDT telephone booths, with on-line billing and excellent service, pock-mark the urban and the rural landscape.
- Nearly 10 airlines fly the friendly skies.
- Book stores are a bee-hive of activity even with U.S. prices for the books.
- Roja, a Tamil movie, is dubbed in Hindi and becomes a national hit.
- The international music company, Polygram, has increased its ownership to 51% of Music India.
- 65% of India's middle and upper middle-class households own shares directly or through mutual funds.
- Admission price of cinema theaters is no longer controlled by the government.
- CNN is India's window to the world

This random assortment represents the tip of the iceberg that is shaping the Indian market and illustrates the trends of the various industries. It is therefore natural that one sees a foreign invasion on the investment scene. From August 1991 to November 1993, the government approved 3,467 foreign collaboration proposals including 1,565 proposals for foreign equity investment totaling $4 billion; by contrast, only 666 foreign collaborations were approved in 1990. More than 80% of the 3,467 approvals are in priority sectors such as power generation, oil refining, electrical equipment, chemicals and export related sectors. Total foreign investment, in 1993 was $3 billion, up from $1.3 billion in 1992 and $400 million in 1991. In this regard, successful market entry by foreign investors requires a systematic approach which is described below.

DEVELOPMENT OF MARKET ENTRY STRATEGY. In India's evolving and relatively complex regulatory environment, planning assumes greater significance than normal. And this critical step of planning is best carried out in conjunction with companies in India that have come to specialize in it by offering "Overseas Corporate Advisory Services". Utilization of such a service after one has carried out a comprehensive study independently is a wise step. Some of the leading companies providing advisory services are Arthur Andersen India, Credit Capital Finance Corporation, KPMG Peat Marwick and Price Waterhouse, to name a few. As expected, the consulting companies fall into categories of management consultants, investment companies, public auditing/accounting firms and law firms, depending on their primary expertise. Selection of a consultant depends on the fundamental requirements and nature of the venture envisioned in India. The consulting work methodology is based on a phased approach which enables you to progressively build on the results of each phase as well as to assess and provide inputs at each critical checkpoint, as follows:

1. PROJECT ASSESSMENT
2. APPLICATION FOR GOVERNMENT APPROVALS
3. MARKET ASSESSMENT AND ENVIRONMENTAL ANALYSIS
4. KEY BUSINESS STRATEGIES FORMULATION
5. FINANCIAL VIABILITY EVALUATION
6. VENTURE FORMATION

The caution to be exercised here is that some consulting companies base their fee on the total capital investment of the venture whereas the more desirable ones estimate the actual effort required. Effective

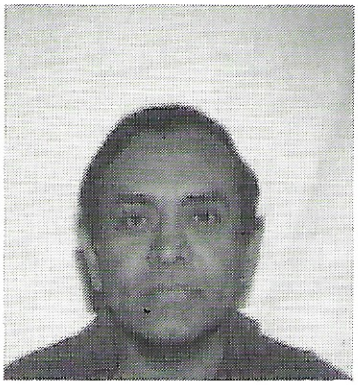
management of such a critical service requires that adequate home work be done by the foreign company. Finally, market entry has to be planned with full understanding of the risks and opportunities involved.

RISKS AND IMPEDIMENTS. The pursuit of most economic opportunities often entails risks. In the emerging business world of India, the company's business plan, its structuring, and operations have to confront the likely negative realities described below.

1. Stability of the Indian government with the current political congress party in power with Mr. P.V.N. Rao as its prime minister is an issue because of his old age.
2. While it is widely believed that on the subject of economic reforms, the opposition political parties are supportive, extreme levels of foreign investment can be a threat to local businessmen.
3. Devaluation of the rupee is likely to occur at a rate of 5% per annum for a few years but this will only make exports more competitive.
4. Inflation is likely to be in double-digits because of fiscal deficits.
5. The Indian rupee is convertible but repatriation of profits may have qualifications in the short run.
6. The initial high import duties on equipment and raw materials are expected to be reduced significantly within three years.
7. Excise duties and corporate taxes are high, resulting in the illegal understatement of sales and profits. This problem will diminish with the resurgence of the economy.
8. Rampant corruption in the areas of excise duty, sales tax, income tax and union management is likely to persist for a long time to come. Considerable reduction will be realized when the underground economy shrinks.
9. Intellectual property rights enforcement will finally impose stringent restrictions with the passage of the Copy Right Amendment Bill of 1994. Achieving the desired level of protection against pirates may take decades. Businesses will have to act pro-actively and assist the government in the enforcement of I.P.R.
10. Unfair practices by competitors who may not assume their tax and duty burdens may pose a threat that is difficult to handle. There will have to be an additional cost of business to be recognized in dealing with these elements. Ensuring that the company does not pay bribes for any service received from the city, state and government officials cannot be compromised. Consequently, the government officials have to settle for their kick-backs from the suppliers to the company.
11. Inadequate infra-structure produces power cuts and turns the 950-mile road journey from Delhi to Bombay into a four-day marathon.

These represent a sample of adversarial conditions to expect in the formulation and implementation of a venture.

CONCLUSION. Participation in the economic renaissance of India requires a long-term view of business where world-class manufacturing and service organizations can be set up by realistically dealing with its pitfalls and handicaps. The rewards from such endeavors promise to be phenomenal.



Devendra Mishra is currently President, International Ventures, Technicolor, Inc.

EDUCATION: B. Tech and D.I.I.T. (I.I.T., Kharagpur), M.S.I.E., Purdue University) and MBA (Butler University)

EXPERIENCE:

1993: President, World-Wide Media and Distribution Services of Technicolor, Inc., a $700 million company in film processing, video duplication and optical media.

1990: President and Chief Operating Officer of LIVE Entertainment, a $600 million supplier and distributor of home video and entertainment software.

1990: President and Chief Executive Officer of Lieberman Enterprises, a $350 million rack jobber of entertainment software.

1986: President of Video Technology Services and Senior Vice President of International Video Entertainment, a $240 million supplier of home video.

1984: Vice President of World-Wide Manufacturing and Distribution of RCA Records and Ariola.

Raj Vattikutti

Raj is the founder and President of Complete Business Solutions, Inc., a Computer Consultancy located in Farmington Hills, Michigan.

He founded CBSI in 1986 with 10 employees and managed growth to over 700 employees in 1994. He currently plays an integral part in the day to day business decisions of CBSI whiles overseeing strategic planning for the further growth of CBSI and its recent acquisitions.

He holds a M.S. in Electrical and Computer Engineering, Wayne State University, Detroit and B.S. in Electronics Engineering from College of Engineering, Guindy, India, 1974.

Before starting CBSI he was Director of M.I.S., Yurika Food Corporation and a project leader for Chrysler Corporation.

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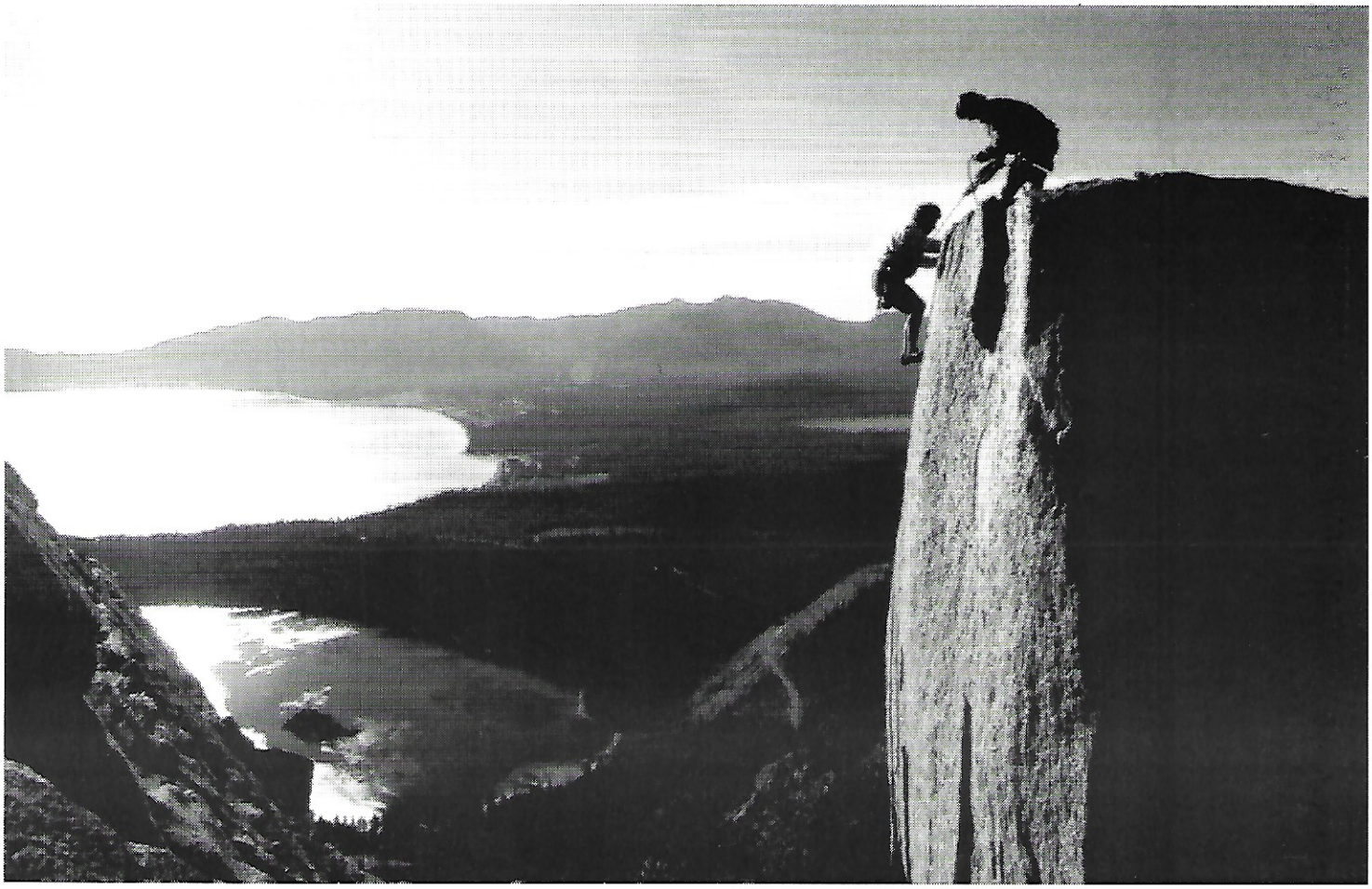

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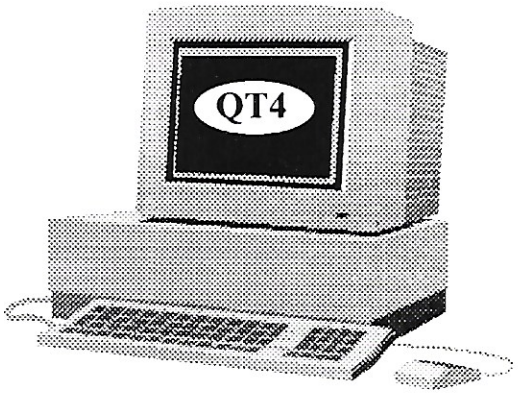

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- Student Session
  Moderator: Bhushan Kulkarni

Afternoon Session . . . . . **1:30 pm - 4:30 pm**

Moderator: Nirdosh Reddy

Speakers:

- Mr. Devendra Mishra, *Technicolor*
- Les Schoonover, *General Motors*
- Mr. Raj Vattikuti, *CBSI*

Evening Program . . . . . **6 pm - midnight**

Master of Ceremonies: Lakshmi Vora

Chief Guest: **Dr. Bala Balchandran**
J. L. Kellog Graduate School of Management

Social Hour . . . . . 5:30 pm -7pm

Chief Guest's Address, Awards . . . . . 7 pm - 8 pm

Dinner . . . . . 8 pm -9pm

Entertainment: **Shamim Khan and Party** . . . . . 9 pm - midnight

Chief Guest

Bala V. Balachandran
J. L. Kellogg Distinguished Professor of Accounting and Information Systems and Decision Sciences
Director of the Accounting Research Center

Bala Balachandran's teaching career began in 1960 while a graduate student at Annamalai University, India and continued at the University of Dayton and at Carnegie-Mellon University, Pittsburgh, where he taught management courses while working on his doctorate. In 1973 he joined the Kellogg Graduate School of Management faculty. From 1979-83 he chaired the Department of Accounting and Information Systems and in 1984 he was appointed Distinguished Professor of Accounting and Information Systems and Decision Sciences.

Prof. Balachandran's research deals with performance evaluation, cost management, audit planning, allocation models, and forecasting. His recent work includes auditors' legal liability and game theoretic cost allocation models with transfer pricing. His work has earned numerous scholastic honors, awards, and fellowships, and he serves as a consultant to senior management in industry, as well as to the U.S. Air Force, in the areas of accounting, forecasting, and strategic decision support systems. He has provided executive education for various companies and the government and is the program director for "Managing Cost Information for Effective Strategic Decisions," a three-day program conducted at the James L. Allen Center each year during the spring and fall.

He is one of three Kellogg faculty members who started the Information Resource Management Program (IRM) at Northwestern in 1974. He has authored more than 55 research articles and is currently writing a managerial accounting textbook with emphasis on cost management in an automated manufacturing environment. He is an editor for numerous accounting publications and currently is the director of the accounting research center at J. L. Kellog Graduate School of Management.

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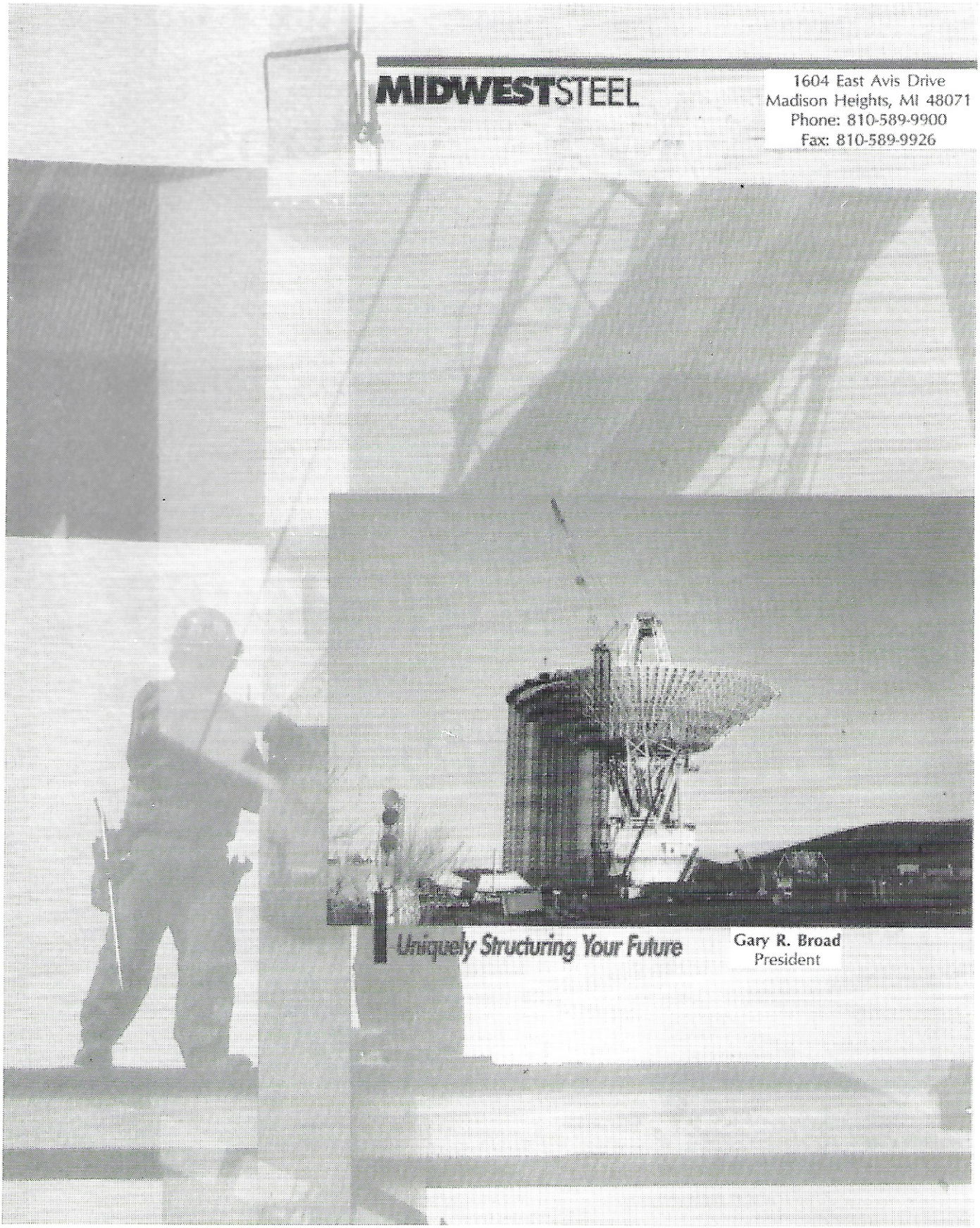
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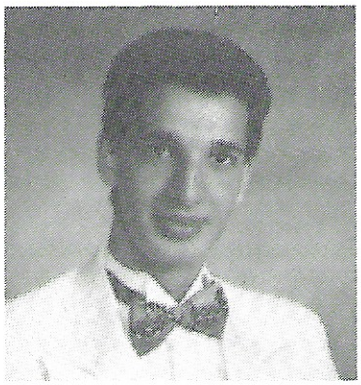
STUDENT OF THE YEAR

Nitin Salunke

Currently pursuing his Ph.D program in Biomechanical engineering at the University of the Maryland Nitin Salunke completed his B.S from College of Engineering in Pune and his M.S from University of Oklahoma . An active participant in local as well as National technical conferences he received an "outstanding research participation award" in the graduate research conference day at the University of Maryland. He is looking foreword to apply his knowledge to collaboration of engineering with medicine and develop efficient and economical clinical treatment leading to improved quilty of life.

Merit Scholarships



Cyrus Mistry

Cyrus Mistry has had an excellent high school career and will take all of his talents to John Hopkins University this fall of 1994. At Novi High School, Cyrus graduated Summa Cum Laude and was his Class Valedictorian holding a grade point average of 4.0. He was ranked #1 in a class of 257 and received many awards and accolades from his school. Some include the Academic Varsity Letter, Academic Silver Bar, Academic Gold Bar, Mens Cross Country All-Conference Award, Debate Varsity Letter, Marching Band Varsity Latter, and the #1 Outstanding Service Award for the most community service.

He is also very musically talented as he was a silver Medalist in 1992 and 1993 Solo & Ensemble Festivals, and received the highest "AAA" score at American Guild of Music Competition. He has performed over 1,090 hours of community service for Novi and other cities. He plans to attain PhD degree in Biomedical Engineering.

Anita Goyal

Anita Goyal had an excellent High School career and presently is a final year student at GMI Engineering & Management Institute in Flint, Michigan, pursuing a Bachelors Degree in Electrical Engineering. GMI has a unique program that allows the students to co-op beginning freshman year. This has allowed her to become directly involved in Engineering design practices early in her career.

For the past four years Anita has been a Co-op student at Ford Electronics Division in Dearborn, Michigan. She is currently working on her undergraduate thesis titled "Development of the Back-up and Parking Aid System for Automobiles."

While at GMI, Anita served as President of the IEEE GMI chapter. She was elected as treasurer for Alpha Gamma Delta.

Engineer of the Year

Arun Shirole

Mr. Arun M. Shirole has Masters degrees in Civil Engineering and Business Administration and has over 28 years of diversified civil engineering and management experience. During his career he has been personally in charge of planning, design and construction projects of significant size, including one that won national award for excellence.

A registered professional Engineering in the States of Minnesota and New York, Mr Shirole is the Director of Structures and Deputy Chief Engineer for the State of New York Department of transportation and directs the Structures Design and Construction Division. He oversees a network of about 20,000 bridges, including world-class structures such as the Brooklyn Bridge.

Mr. Shirole is the Chairman of the Transportation Research Board's Construction Management, as well as Bridge Management Committees. He chairs American Association of State Highway and Transportation Officials' Technical Committee T-11 on Research. He has twenty-eight papers and publications to his credit. Mr. Shirole is an elected Fellow of the Institution of Engineers and was a transportation fellow at Harvard University.

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Emerging Business Opportunities In India

by Gautam (GB) Bose, Financial Consultant
Smith Barney, Old Town Alexandria, VA

India provides one of the most promising growth opportunities in the world, for a cross-section of businesses of all sizes. The fundamentals that are creating these opportunities are as follows:

- India's near insatiable appetite for consumer goods due to a large, emerging middle-class
- The nation's disposable income created by a high savings rate
- An extra-ordinarily skillful and large labor force and
- The urgent need to expand the existing infrastructure to keep pace with business expansions.

Let me briefly touch on each one of these:

India's 200 million middle class has been widely recognized as an excellent consumer market. What is not talked about as often is another 300-400 million emerging rural market aspiring to attain middle class status. At present the nation has approximately 25 million televisions, 6 million telephones and 2 million automobiles[1]. Clearly there is a huge business opportunity here. The disposable income to spur this consumption binge comes from the excellent Indian savings rate of 21% compared to 4% in the US[2].

India also has the third largest technical work force in the world. What's more, this highly skilled work force has the second lowest unit labor cost in Asia, at less than $1/hr, behind Indonesia'.

Today, India has:

- 1.2 million miles of roads
- 11 major shipping ports
- The world's largest postal network
- Well-developed legal and accounting systems
- 4 world-class international airports
- The largest railway network in Asia

The country has the third largest economy in Asia and huge deposits of coal, bauxite and limestone. To keep pace with its present growth, the need for new housing by the year 2000 is projected at 8.5 million units! [3]

All of this has been brought about by the Indian Government's decision to embrace a market economy. Since its independence from England in 1947, India implemented central planning. The government wanted the country to attain self-sufficiency by maintaining an economy virtually closed to imports. Today, foreigners can own up to 51% of any Indian company. (Non-Resident Indians can own 100% of an Indian company.) The government has significantly lowered duties and tariffs on imports. The market-economy oriented reforms have just started unleashing India's enormous economic potential.

The distinguishing characteristic of a market economy is its ability to weed out inefficiencies in pricing of goods and services through open competition. By allowing the most cost-effective solutions to compete in India, and having a burgeoning middle class population with a pent-up demand for every imaginable consumer product, the Government of India has set the stage for explosive long-term economic growth.

India is the world's largest democracy. Its democratic roots go back to its independence in 1947. It

has endured as a democracy in spite of challenges to its stability in the form of ethnic and provincial unrests. It has already made the transition to lasting democratic principles, including human rights and freedom of religion. Other emerging countries in Asia and Latin America, competing with India for foreign investments, have not done that yet. The stability that exists in India is the most important reason for making the country a hotbed for emerging business opportunities.

The recent reforms enacted by the government (1991-1993) have also helped immensely. Besides letting foreigners hold majority ownership in Indian firms, short term capital gains tax for overseas investors has been reduced from 65% to 35%. Further banking and tax reforms are planned by the Indian Government in the near future.

Industries that are of strategic importance to the country, such as software development and power generation, are being offered attractive tax holidays. Sectoral reforms by the Government are planned for industries encompassing insurance, coal, telecommunications and agriculture.

I'll conclude by providing some financial performance metrics. India's real GDP growth is expected to grow at a very healthy pace, as illustrated by the table below[4].

REAL GDP GROWTH

	1991	1992	1993	1994(PROJ)	l995(PROJ)
INDIA	5.2	1.8	3.7	4.1	8.0
WORLD	2.3	3.3	3.2	3.6	3.8

Foreign investment in India has grown from $40 million in 1990 to $5.5 billion in 1994. US investments of $1.1 billion exceed the cumulative US investments for the last forty years. Inflation have been declining steadily. Presently inflation is around 7% which is a decrease of 50% over the last two years[4].

India's foreign exchange reserves have grown from about $600 million in 1991 to over $15 billion in 1994. The Indian Rupee has held steadily around Rs.31 to the US Dollar since 1992. A stable and convertible rupee means gains from investments in India would flow through to US investors, without currency risk[5].

The performance of Indian equities through the end of 1993 has been good. The table below illustrates this[6]:

AVERAGE ANNUAL TOTAL RETURNS

	1YR	3YRS	5YRS	10YRS	15YRS
(%)	18.80	20.02	16.48	17.00	16.52

The US Dept. of Commerce lists India as one of its ten major trading partners for the foreseeable future. India truly provides one of the best environments in the world today for business opportunities.

Reference Sources:

1 Statistical Yearbook, 38th Issue, United Nations
2 Reserve Bank of India & Federal Reserve Board
3 Flemings Research & Morgan Stanley Research
4 International Monetary Fund & Morgan Stanley & Co. International Ltd.
5 Govt. of India & Lloyd George Management
6 International Finance Corporation

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BUSINESS OPPORTUNITIES IN FEDERAL GOVERNMENT

Satyendra P. Shrivastava

There are several programs in the federal government that offer a lot of business opportunities to minority individuals including Indian-Americans. The notable programs are: (i) 8(a) Set-aside program, (ii) SDB (Small and Disadvantaged Business) program, and (iii) Small Business program. Indian-Americans are classified as minority or socially disadvantaged persons, and therefore, are eligible for all these programs. For IndianAmericans the 8(a) program is very beneficial, and a brief overview of the program is presented below:

The 8(a) Proaram

The 8(a) program is administered by the U.S. Small Business Administration in which a percentage of federal government contracts are set-aside for award to small companies owned by minority (socially and economically disadvantaged) persons. Details of the program can be found in the Code of Federal Regulations (CFR) Title 13 which can be obtained from the Government Printing Office, Washington, D.C. 20402-9328.

Major changes in the program enacted by the Congress in 1989, mandated shorter processing time (90 days) for 8(a) program applications, fixed the period of program participation to nine years, required 8(a) companies to gradually increase their non 8(a) business proportion, and made 8(a) procurements above a certain threshold ($3 million for service business, $5 million for manufacturing business) to be competed amongst 8(a) companies.

General Eliaibilitv for 8(a)

- Must be small business,
- The minority person(s) must be economically disadvantaged,
- Must have at least 51% ownership in the business by minority person(s),
- The business must be controlled and managed on a daily basis by one or more minority individuals, and
- Must have the potential for success; must be two years in business.

Economicallv Disadvantaged

For entry into the 8(a) program, the net worth of a minority person should not exceed $250,000 exclusive of prime residence and the 8(a) business. During the Developmental Stage, the first four years of the program, the net worth should not exceed $500,000; and, during the Transitional Stage, the next five years of the program, the net worth should not exceed $750,000. These dollar amounts are the

~economically disadvantaged~ thresholds for the 8(a) businesses.

.Program Information

Information about the program can be obtained from any of the field offices of the SBA. For the SBA office nearest you, call the Small Business Answer Desk at 1-800-8-ASK-SBA (1-800827-5722).

Succeedina In Business

Before I discuss my thoughts on how to succeed in business, I would like to present some statistics related to the 8(a) program. This will give the readers some appreciation about the magnitude of opportunities in the program.

In fiscal year 1993, out of 4,848 8(a) firms, 48% were African-American owned, 26% Hispanic owned, 19% Asian owned, and 7% Native American owned. During fiscal 1993, 25,616 8(a) contracts worth $4.32 billion were awarded.

In fiscal 1993, 54% of the 4,848 8(a) firms received no contracts. In fiscal 1990, only 2% of 8(a) companies won 40% of all dollars awarded.

Indian-Americans, as well as other Asians participating in the 8(a) program have generally done very well. Based on the author's successful experience of participation in the 8(a) program, the following recommendations are made for succeeding in business:

- Define your mission and objectives.
- Be broad based in your offerings rather than single niche.
- Think big - target managed/controlled growth.
- Share your company (a small portion) with a local American to provide diversity to your business; the person must have a successful track record of business development in small, preferably 8(a) companies, and must have a chemistry that matches yours. You must have a fool-proof agreement with buy-back clauses in case it does not work out.
- Incorporate your business rather than partnership.
- Build a good management base; do not fill this with your relatives and friends, at least during the early years.
- Retain an accounting/management consulting firm with experience in federal government contracting.
- Retain an attorney.
- Manage money very carefully; do not consider that your family money.
- Start and build a relationship with a bank early.
- Provide leadership (by example) - Be dedicated to key values - Make consistent decisions - Be fair; never be partial - Care for your employees; they are your most valuable resources - Develop a healthy and consistent culture - Work long hours.
- Hire competent staff; advertise and select the best.

- Provide competitive salary and fringe benefits.
- Reward those who excel in work, help in company's growth and work hard.
- Be responsive to your customers and work for their success.
- Market aggressively; do not hire a management staff who cannot market and cannot write proposals.

Conclusion

Federal market in the minority and small business set-aside area is growing. There is a lot of opportunity in the 8(a) program. Indian-Americans qualify for participation in the 8(a) program and they have been successful in it. If you have the will, you can do it too!

Mr. Satyendra P. Shrivastava started his business in 1983. His company ANSTEC, Inc. is headquartered in Fairfax, Virglnia with field offices in over 20 locations throughout the country. ANSTEC provides information technology and system integration services to federal government and private industry clients. Mr. Shrivastava is planning to expand his business in India also. During the last six years, ANSTEC's revenue grew over 50 times. ANSTEC's 1993 revenue was over $30 million. ANSTEC has been in the 8(a) program since 1987.)

The Emergence of the Two Asian Giants

by Richard Burt
May/June The International Economy

China and India, who together make up a staggering 40 percent of the world's population, now constitute the most important and for the United States the most challenging–story of the 1990s: the potential emergence of two new economic superpowers.

Both nations, of course, are still some distance from achieving this status and each faces a series of unique obstacles in the way of continuing economic growth. Nevertheless, the progress each has made in recent years was unthinkable until now. Only a few years ago, Paul Kennedy, the Yale professor who became an overnight sensation by predicting the decline and fall of the United States, suggested that the long-term outlook for China and India was mostly bleak. A modern-day Malthusian, Kennedy, in his Preparing for the Twentv-First Century, pointed to population growth, environmental problems and political instability to argue that despite some intriguing signs of change in the two countries, the barriers to development were formidable.

> *I recognize that the strategic center of gravity is shifting in global economics and politics . . . it is strange that the United States so far has failed to develop an integrated, long-run strategy to deal with China and India as new superpowers.*

Kennedy's analysis received little fanfare because, for the most part, it simply reflected the conventional wisdom in the West about the two nations' prospects over much of the last quarter century. While in the 1950s and 60s, development gurus in the United States and Europe debated whether India's "democratic socialist" model was superior to China's "command economy" approach, by the 1970s both became widely viewed as more or less permanent economic basket cases. In the same vein, while both possessed small-scale nuclear arms programs, neither was thought to be in the league of the United States or the Soviet Union.

But times – and perceptions – have changed. It has become standard practice in American thinking to view Europe as the world's strategic cockpit. With two world wars and one prolonged cold war having emanated from the continent, it is not surprising that this is the case. My own personal experience is a case-in-point: as Assistant Secretary of State, I was preoccupied with the deployment of medium-range nuclear arms in Europe; as Ambassador, I was the last cold war American diplomat in West Germany and as an arms negotiator, I worked on the last nuclear treaty signed by the Soviet Union. But even as a confirmed "Europeanist", I recognize that the strategic center of gravity is shifting in global economics and

politics. In a brief period of time, Kennedy's conventional wisdom has been refuted by dramatic changes in both the Asian Giants. By the end of the decade, both countries could emerge as not only economic powers, but global politico-military players as well.

In light of this, it is strange that the United States so far has failed to develop an integrated, long run strategy to deal with China and India as new superpowers. Instead, in the case of China, we have become obsessed with the human rights question its possible linkage to trade policy. As far as India is concerned, the United States has essentially adopted a "benign neglect" strategy; ignoring both the remarkable opportunities offered by its liberalizing economy and the very real strategic issues posed by its expansion into the Indian Ocean and beyond.

Of course, it may be that all the talk about China and India's emergence will turn out to be hype. But the facts suggest otherwise. The forces of change in both nations are relentless and, for the most part, irreversible. While India has tried economic reform before and then reversed course, it no longer has the Soviet Union's trade umbrella to protect it from the rigors of international competition. In China, meanwhile, the momentum of free market enterprise has probably surpassed the ability of even the most traditional government to reverse course.

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The Chinese story is quite remarkable. Only a few months after Professor Kennedy's ponderous tome was published, the World Bank published its celebrated finding that based on terms of purchasing power parity, China's economy had, by the beginning of the 1990's, become the third largest in the world. Since then, nothing has changed to cast doubt on this judgment. For the 12 months preceding this year, it is estimated that the Chinese gross domestic product grew by almost 14 percent. Indeed, analysts now believe that China's GDP per capita grew by nearly 10 percent a year over the last decade and that the annual average growth of Chinese exports during the same period exceeded 12 percent.

- These and other measures of surging growth reflect China's chaotic, uneven but breathtaking progress toward establishing an open, free-market system:
- Almost half the economy is now effectively in private hands while price controls, once a fixture of the Chinese economic landscape, have been largely abolished;
- Direct foreign investment, once taboo, is now welcome and mushroomed to over $20 billion in 1993. New industrial production reflects this increase: almost half the new cars produced in China last year were Volkswagens.
- After a worrisome delay, the authorities in Beijing are moving to deal with the twin threats of inflation and corruption.

In the case of India, the climb has been slower but perhaps surer. Under Prime Minister P.V. Narashimha Rao and his Finance Minister, Manmohan Singh, India finally seems on the road to sustained reform and growth. In 1993, the Indian GDP grew by 5 percent while industrial production grew by almost 7 percent. As in the case of China, India's performance can be linked to important free market reforms:

- Currency controls have been loosened, with the rupee fully convertible for trade purposes;
- Foreign companies are permitted to own majority stakes in Indian businesses and Indian firms are able to access foreign capital markets;
- Both capital gains and corporate tax rates have been cut.

It is clear that further reforms are necessary within both the Asian Giants, especially India where progress in privatization has been slow and where the British socialist legacy of a large and cumbersome bureaucracy lives on. That said, there are also some reasons to argue that over the long run, it is India, and not China, that stands a better chance to emerge as an economic heavyweight. While both possess huge potential consumer markets, India alone has a tradition of a mature and mostly-stable democracy; a legal framework that protects private property; an effective central bank and a habit of doing business in English. Moreover, it can be argued that the Indian economy is more nationally-integrated than that of China's. In India, it is commonplace for a business, say in Madras or Hydrabad, to borrow money in Bombay to support manufacturing concerns in several different regions. In China, a more localized pattern of "city-state" economies is developing. These developments have led one observer, Jonathan Power, to use Aesop's fable of the tortoise and the hare to compare India and China's prospects: "by the year 2000, it will be India, not China, that will be on its way to becoming the Giant of Asia and, before too much time is past, the largest economy in the world."

In the case of China, efforts to limit american economic ties on human rights grounds are particularly self-defeating: in Asia . . . . the best way to expand human rights is through economic development.

But whether India or China fully realize their economic potential will, in the long term, depend on several factors. The first is geopolitical. One important reason that neither country was able in earlier years to focus on reform and growth was that their energies were drained and diverted by regional rivalries and conflicts. During the Cold War, the lengthy Sino-Soviet border became an armed camp while China at different times actually fought American, Indian and Vietnamese troops. For its part, India, in addition to tangling with China, went to war with a Pakistan loosely aligned with the United States.

The end of the Cold War has altered the security equation in Asia, but it has not ended the risks of rivalry and conflict.In fact, Asia is the only region in the world where spending on military forces is continuing, on average, to increase. In Northeast Asia, for example, North Korea's dangerous quest for a nuclear arms stockpile could lead to a confrontation and the threat of wider, regional war. In South Asia, meanwhile, nuclear politics and national ambitions could bring India and Pakistan to loggerheads. In either case, economic reform could easily go by the boards.

Social and cultural developments could also jeopardize growth. With modernization preceding rapidly in both nations, it is not surprising to see manifestations of traditionalist opposition to economic reform. Neither appears especially vulnerable at this time to the kind of forces that toppled the Shah of Iran, but the growing momentum of change will inevitably produce strains and cleavages. In China, there is concern about differential development between north and south, coastal areas and inland regions. In India, there are of course concerns that change will exacerbate longstanding communal differences. The danger, how-

ever, of rising Hindu fundamentalism appears greatly overstated.

A third key issue concerns the actual development strategies being pursued by two Giants. As we have seen, in removing controls and stimulating private investment and enterprise, both appear to be on the right track. But this may not be enough. In a provocative speech to the Asia Society recently, Fred Gluck, the managing partner of McKinsey & Company, argued that over the long haul, strategies focused on increased manufacturing will not work for either China or India. Noting that increased economic productivity was removing manufacturing jobs from the world economy as a whole, Gluck contended that traditional, export-driven development models are outdated: in the years ahead, such strategies will fail to create the jobs necessary to employ the tremendous numbers of people moving out of the agricultural sectors of both countries. Gluck's solution? China and India will both need to adopt a new paradigm for development that focuses less on manufacturing activities such as new car production and more on building service industries and the national, regional and local infrastructure to support them.

But while key geopolitical, social and economic questions remain, it is nonetheless clear that prospects for both the Asian Giants appear impressive.It is equally clear that the United States, along with the other G-7 powers, has a growing stake in the success of each. Despite this, however, the absence of a coherent, integrated strategy for dealing with the emergence of the Giants exposes the United States to major risks. In the case of China, efforts to limit American economic ties on human rights grounds are particularly

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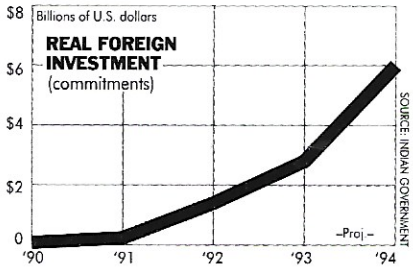
self-defeating: In Asia at least, experience has shown the best way to expand human rights is through economic development. With India, the problem is somewhat different. In recent years the United States has essentially ignored the changes that have occurred, often appearing either ignorant or hostile to Indian concerns. The Indians deserve more attention and more respect.

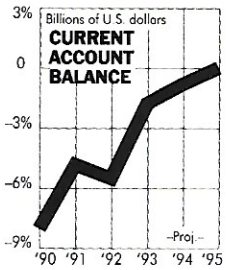
The era of the Asian Giant is rapidly approaching. If we fail to incorporate this reality into our economic strategy and foreign policy alike, we will live to regret it.

Richand Burt is Chairman of International Equity Partners, a Washington, DC-based investment banking and strategic advisory firm. Mr. Burt served as the chief U.S. Arms Control Negotiator, the U.S. Ambassador to West Germany and Assistant Secretary of State of European and Canadian Affairs.

India

ADD POLITICAL STABILITY and a mushrooming consumer market that already numbers more than 150 million people, and you get the kind of opportunity that business hungers for. Foreign companies are scrambling to gain access to India now that the New Delhi government has eased restrictions. Over the past 18 months investors from abroad have applied to funnel $4 billion into India—about 40% of that coming from American companies. One problem yet to be overcome is a sagging infrastructure: India desperately needs new ports and highways. Another challenge is the education system, which leaves too many of India's 900 million population with little or no schooling.





STANDARD OF LIVING

	Life expectancy	Mean years of schooling	NUMBER OF PEOPLE PER: Doctor	TV	Telephone	McDonald's
China	70.5	5.0	724	32.3	65.4	5,960,000
India	59.7	2.4	2,272	31.3	111.0	911,600,000*
Japan	78.6	10.8	610	1.6	1.5	119,048
U.S.	75.6	12.4	420	1.2	1.3	26,080

SOURCES: U.N. HUMAN DEV. REPORT / ASIAWEEK / MCDONALD'S

*Approved 1993, to open in 1995

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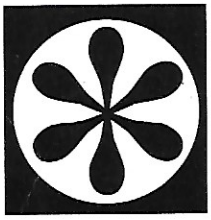

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