

PERSPECTIVES

By Ashutosh Sheshabalaya

Had India played a fair game of cricket, it would have waited (at least until the Beijing Olympics) before foisting a second, near-alchemical reincarnation of Asia's rise on an unsuspecting world.

For India has, unexpectedly, joined China in attaining near double-digit economic growth rates. It has done so in violation of that mantra of MBA programmes – that foreign direct investment (FDI) is the recipe for growth in a developing country.

More perplexing is India's new acceptance as a major foreign investor in Europe. Contrast the near-nonchalance that greeted the €10 billion takeover by India's Tata of Anglo-Dutch steel giant Corus, with the raucous fall of Arcelor to Mittal Steel just a few months earlier.

Scores of smaller firms, in a swathe of economic sectors across Europe, have fallen like ninepins to the Indian feeding frenzy. Unlike Japan, South Korea or China, whose foreign acquisitions followed very tangible exports of cars, machines, bath-tub toys and suchlike, the global hand of India's services-driven economy has, so far, been largely invisible. India has done what to cricket fans is a term as familiar as Google is for internet junkies; it has been bowling googlies.

Most Indian acquisitions plug gaps in the country's fast-globalising business machine, at the higher-value end of the economic spectrum, from IT and engineering to pharmaceuticals. So far, no one has calculated the net impact on Europe. It may well be positive, but one can only hazard an uninformed guess.

Few guesses are needed, though, to explain India's googlies. Unlike China, it did not have to learn about capitalism, or conjure up its accompanying soft infrastructure. Quite the contrary. In IT, for example, it was India – not the US – that invented the offshore business model (one reason for the stratospheric American market valuations of India's software giants).

Subtler reasons for India's sudden rise may lie in the latest *Forbes* rich list. Indian billionaires now control more money than their counterparts in China and even Japan. They were careful to shield India (and their emerging empires) from the disruptive forces of FDI until they were ready. Now, armed with their own global competencies and scale (including those acquired overseas), they are.

Such factors were barely understood by experts, especially those nagging India for trailing China in the FDI recipient league through the 1990s and beyond. India, simply, was not (yet) interested.

Indeed, what India Inc. has pioneered is a new business paradigm – of combining Indian comparative advantage with the core competency of its corporations, to haul the country up by its bootstraps.

Globalising India's next phase will provide new opportunities for Europe's policy-makers, as attention shifts to the 800 million Indians living below the Davos horizon, facing 19th-century challenges in a country with many facets of the 21st.

Like its business chieftains, India is now primed for serious foreign investment. Much of it will be directed into job-intensive sectors like food processing, retail, energy, mass transportation and environmental technologies. Though a late entrant to Game India, Europe has distinct advantages over the US in all these areas.

In addition, Europe – unlike the US – might work with India to cushion global risks from an overheated or imploding China. In many ways, China increasingly resembles southeast Asia of the late 1990s: an FDI-driven exporting super-miracle run by an authoritarian regime, with real dangers of internal disconnects – of market from industry, leaders from the led, village from city, and imagination from reality.

To me, China's civilisational *élan vitale* has one focus: the 2008 Olympics, which its



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leadership is determined to see through as a Great Power rite of passage. But once the glitter of the Olympics has faded, rising popular expectations, a trillion-dollar overhang of bad debts within the banking system and a grossly undervalued currency may prove a lethal cocktail.

If so, this would be the classic morning after, following a two-decade-long fling between Western finance and know-how on the one side, and Chinese industriousness and hospitality on the other.

The Olympics have in the past been an ominous precedent for non-democratic regimes. Note Berlin (1936) and Moscow (1980). Come 2009-10, India's super-charged economy, warts and boils still very much in the open, may well become the toast of Europe, and the world beyond – provided that the Indians, of course, continue to play their own style of cricket.