



Is India a safe haven?

A ‘helicopter view’ from INSEAD alumna Helen Alexander (‘84), Vice President, Confederation of British Industry (CBI).

“India is not simply setting new standards on trade, investment and economic terms, it’s also emerging as a genuinely influential player in many of the big global policy issues that we are all talking about at the moment – climate change and energy sustainability, WTO (World Trade Organisation), and global corporate responsibility; because some of the Indian companies are models in this respect, and – the more interesting – because of their different origin.”



Helen

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Alexander, the new CBI Vice President, holds an MBA from INSEAD and was previously Chief Executive of the Economist Group. She is also a non-executive director of Centrica and Rolls Royce, and she says she understands some of the opportunities and challenges these companies face in doing business in India.

India is a “hugely exciting and hugely attractive market” and potential investors should look beyond its stereotypical image of an economy driven by IT or outsourcing combined with life sciences, she says.

Speaking recently in London at the Next Generation India: Talent, Trends and Technology Inaugural Summit, organised by the UK India Business Council, Alexander said the stereotypical image of India does indeed have an element of truth, but is keen to emphasise that the nation is continuing to grow in more and more sectors.

Advance manufacturing capability is increasingly strong - pharmaceuticals, financial services and healthcare are just some of the fast-growing areas, she says.

Luxury leads the way

Three key areas were focused on in the session in

which Alexander participated- media, sport and luxury retail. According to Alexander “all have strong commercial objectives where a liberalising economy can allow them to blaze the trail where others can enter later.”

The media industry, Alexander says, is opening up in some respects, but is not yet allowing foreign newspapers or news magazines to be printed there.

“And there is one feature of that industry that is quite different from the rest of the world – newspaper circulations are growing and the newspaper business is a growing one, not a declining one.”

“According to the registrar, there are 8,512 newspapers and magazines with an eye-watering circulation - if you are a press executive - of more than 180 million copies!”

Sport is already showing how it can be a driver for new business models. Alexander says the Indian Premier League (IPL) illustrates just how “a cricket-mad country can lead the world when it combines a love of sport with glitz.”

Retail – and the high-end, luxury segment in particular - will also create new routes to markets. The new emporium in South Delhi is one example and Alexander reckons the fact that India has 52 billionaires compared to China’s 30 will help bring that along.

What is more, argues Alexander, some of these business enterprises can have virtuous effects on other sectors of the economy. One good example is that transportation links are being put in place ahead of the 2010 Commonwealth games. These will undoubtedly improve the transport infrastructure for the long term, she says.

“So not only do these industries like sport and media have an effect on the national psyche, but they also have the capacity to bring further economic development and further economic liberalisation.”

Macroeconomic challenges

India’s GDP growth has been impressive by anyone’s standards – nine per cent for three years running, says Alexander. There was even talk earlier this year of double-digit growth, but that, she maintains, is a tall order and would require a pace of economic reform that is highly unlikely in India’s democratic context.

“There’s no reason why India could not maintain rates of growth upward of the traditional six per cent. Whether it’s seven per cent or eight per cent

depends on your economic commentator.”

This has led to a huge influx of overseas capital but in recent months some fault lines have started to emerge, Alexander warns.

Shares have slumped following the giddy heights of last year and interest rates have risen to about nine per cent – a record high.

Politics will also clearly have an important role to play as general elections loom by May next year. The current government faces some major economic challenges. These include issues such as fuel subsidies, given high oil prices, and the impact of farm levy waivers announced in the budget earlier in the year.

Other areas to watch are public sector salaries, along with major government expenditure, in particular infrastructure spending.

“How the government responds to those pressures clearly has an influence on its own political future,” Alexander maintains.

But, she argues, these factors should not alter the overall perception of India and should be simply regarded as vagaries of the market place.

“The truth is it is still a hugely exciting and a hugely attractive market.”

Partnerships in India are ‘business critical’

Unlike a few years ago, the trading relationship between Britain and India today is genuinely two-way, Alexander says.

Tata’s acquisition of Jaguar and Land Rover was, she affirms, welcomed by all sides, in particular by the workforce and unions. They saw the Indian company was buying into the brands, the technologies and the cache of two UK icons. Tata was viewed as a long-term investor with clear strategic goals and Alexander predicts that those trends are only set to continue.

Alexander says she’s also encouraged by the number of slightly smaller, perhaps less high-profile, deals in other sectors - the CBI estimates that more than 500 Indian companies have invested in the UK. Fifty-two Indian companies are now listed on the London Stock Exchange.

But, Alexander warns, there are potential areas of concern in the sub-continent: levels of education, reliability of power supply, bureaucracy and the regulatory environment, labour laws and the political implications of rural poverty.

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Nevertheless, these obstacles do not appear to be deterring British investment in India. “It is now definitely deemed ‘business critical’ by British business to have partnerships in India,” she says.

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