

ADAPTING INDIAN INDUSTRY TO GLOBALIZATION

Tarun Das



FORUM
of Free Enterprise

"Free Enterprise was born with man and shall survive as long as man survives".

- A. D. Shroff
1899-1965
Founder-President
Forum of Free Enterprise

INTRODUCTION

On the occasion of the Golden Jubilee of the Forum of Free Enterprise, Mr. Tarun Das, Chief Mentor, Confederation of Indian Industry (CII), gave a stimulating address on "Adapting Indian Industry to Globalization". Mr. Tarun Das was eminently qualified to address the large audience on the subject having been at the top of India's premier industrial organization and having so ably articulated India's industrial prowess in the international flora.

Mr. Das has succinctly covered the transition from a controlled economy to gradual liberalization since 1991. Indian companies have acquired an enormous confidence not only to compete in world markets but to bid for and acquire multinational companies, some of them even bigger than their own size.

He has underlined the imperative need for Indian industry to be competitive to cope with global transformation by ensuring greater efficiency, better quality, higher productivity and controlling costs. Pointed attention has been drawn that complacency must be stopped at all costs as sustaining competitiveness is an ongoing process. He has also dwelt on the challenges and constraints which Indian companies face as they try to reach out to the world. Particular stress was laid on the need for accessing appropriate technology.

Entering into joint ventures was considered the right track till mid 1990s but it has thrown up many serious issues and this approach needs to be reconsidered. While importance of well considered strategic alliances for Indian industry is recognized, technology must be accepted as an input and industry must now endeavour to develop on its own by inducting highly skilled and motivated people.

Grappling situations such as managing and dealing with multiple government regulators, laws and different cultures has assumed great importance. This issue is being addressed by some large corporates, like several Tata Companies, that are operating

internationally. In the present business milieu, there was a need for flexibility and adaptability, in adopting different models of business across various countries of the world.

Change has become a constant factor of business life, affirmed the speaker. There is no escape from it. The earlier mindset of constantly dealing with the government and managing relationship at various levels is no longer relevant. In the current era there are so many factors outside the control of business and industry that response to change has become critical for success. Besides Indian business no longer enjoys the protection from imports as it used to earlier. He has pithily summarized the challenges - "Indian industry is facing a combination of a marathon and a steeplechase for which it requires stamina as well as physical fitness".

He averred to liberalization not having touched the food and agriculture sector and prophesized that India will emerge as the food factory to the world as deregulation takes place in this area and newer and newer opportunities open up for Indian companies to enter the field.

His summing up of the theme was reassuring. Mr. Tarun Das asserted that Indian entrepreneurship will go from strength to strength and more and more young people will come to the forefront which will change the face of Indian economy and industry. He pointed out that there was really no difference between the private sector and the public sector except ownership. The gradual change in the ownership of public enterprises will ensure that managers and employees are free to perform.

I am sure the readers will find this booklet most readable and incisive.

Minoo R. Shroff
President

16th April 2007

Forum of Free Enterprise

EDITOR'S NOTE

The Forum of Free Enterprise – a non-partisan, non-political and non-profitable organization – completed fifty years of its existence in July 2006, This is, undoubtedly, a major milestone and a significant achievement.

To commemorate this occasion, the Forum had invited **Mr. Tarun Das** to speak on the theme of *Adapting Indian Industry to Globalization*". **Mr. Ratan Tata** graced the occasion and released the book *"Eventful Years"* authored jointly by the undersigned and **Dr. Ajit Karnik**.

Having had the benefit of tremendous experience and insights on the progress of Indian economy in general and Indian business and industry in particular, **Mr. Tarun Das** has marveled in unfolding the story of travails and tribulations and achievements and failures of the Indian economy within a framework of two distinct time blocks.

Thus, the period from 1947 to 1991 was marked by moderate economic growth with inward-oriented economy. Stringent controls, licensing and regulations with extensive micro management of the private sector were the hallmarks of this era. There was hardly any competition whether domestic or foreign. The system restricted and stifled the initiative, enterprise and investment of the private sector. Ensuring and managing the "commanding heights" of the public sector was the principal motto of the Governments in power.

During this period, the Forum had to meet up with enormous challenges in responding to the prolonged phase of ideologically dominated socialist economic policy. It not only stood up against the onslaught of commanding heights and statism, but relentlessly and courageously pursued the cause of liberal economic thought and free market economy in India. And the beneficial outcome of this is now before us since the launching of economic reforms

in July 1991, heralding the process of liberalization, competition and globalization.

In substance, according to Mr. Das, there is a paradigm shift from the public sector occupying commanding heights of the economy in the earlier era of regulations and controls to the private sector progressively gaining commanding heights of the economy. This is happening not just in the domestic Indian economy, but spreading gradually outwards. India Inc is inviting attention and recognition of the global economy!

While narrating this fascinating transformation, the author has offered some sound advice to Indian industry and business. *"Globalisation brings with it the challenges of managing and dealing with multiple governments, regulators, laws and different cultures"*. Further, to remain globally competitive, we need to harness technology, R & D and market intelligence on a continuous basis: These and many other dimensions of his speech will be useful to students, researchers, professionals in the corporate enterprises as well as policy-makers. Thus, all the stakeholders in India's ongoing march towards globalization have so much to gain from this little booklet.

In this context it is most heartening to see that in recent months Indian industry has vividly demonstrated its confidence and capability to go global in a big way by acquiring companies bigger than its size - Tatas' acquisition of Corus in U.K. and Hindalco's acquisition of Novelis in the USA. There are several other acquisitions on the anvil.

While commending this booklet, let us also not forget the role and contribution of the Forum in its fifty eventful years of existence, and remain ever awake and vigilant so that hard won economic freedom that has been secured by us is not surrendered - indeed, it should never be lost to us!

Sunil S. Bhandare
Editor

ADAPTING INDIAN INDUSTRY TO GLOBALIZATION

Tarun Das*

At the outset let me salute the Forum of Free Enterprise (FORUM), its founders and leadership. I congratulate the Forum on the completion of its fifty eventful years.

I feel humbled speaking before such a distinguished audience in Mumbai. For some one who has lived and worked in Delhi for the last 32 years, Mumbai has a refreshingly different culture. It is the home and capital of entrepreneurship, and it is an amazing city with an amazing people, a cross section of whom are here today.

I began my career nearly 43 years ago in the then completely British managed Chamber in Calcutta as a trainee. I was then deputed to what was a small version of the Confederation of Indian Industry (CII). I never could think that one day I would stand before such wonderful people and leaders in Mumbai sharing my thoughts and perceptions. I thank you Mr. Minoo Shroff for giving me this honour and opportunity to be here because whatever one has done and achieved has actually been dedicated to the cause of industry, essentially the private sector which has passed through enormous challenges over the decades.

*The author is Chief Mentor, Confederation of Indian Industry (CII). The text is based on his address at the function organized to celebrate Forum's Golden Jubilee on 19th July 2006 in Mumbai at which Mr. Ratan Tata released the book "Eventful Years" authored by S. S. Bhandare and Dr. Ajit Karnik.

Evidently, India is now entering a new phase in her economic history, wherein the philosophy, values and the belief of the founder of the Forum, the great visionary A.D. Shroff, are still valid and relevant - and indeed, will remain so in the years to come.

The theme of my talk today is "Adapting Indian Industry to Globalization". Surely, the most appropriate person who should be speaking on the subject is Mr. Ratan Tata, who is gracing the Forum's Golden Jubilee celebrations today. Undoubtedly, I believe, he has changed, transformed and led the Tata Group to adapt to globalization. It is an enormous honour and pleasure for me to be with Mr. Ratan Tata on this special occasion.

Incidentally, it is the House of Tatas, and especially with Mr. Ratan Tata as its Chairman, which has given the maximum support and leadership to CII without any strings attached. If the CII as an institution stands out, and has achieved its present stature in the country in the course of its existence, in no smaller measure the credit goes to the House of Tatas. The House of Tatas certainly offers a wonderful role model practically to all business houses in the country. We need institutions of all kinds in civil society including those representing the industrial sector so that the society and the country become strong.

Let me now turn to the subject of my talk. Taking cue from the previous speaker, Mr. S.S. Bhandare, I would like to look at the progress of India within a framework of oversimplified two distinct time blocks:

- First, for well over four decades (1947-91) India witnessed stringent controls, licensing and regulations with extensive micro management of the private sector. There was hardly

any competition, and the system restricted and even preempted initiative and enterprise of the people of this country. In this context, by way of illustration, I recall that in 1986 we approached the industry to promote the need for quality movement for which only twenty companies participated by subscribing Rs.20,000 each per annum, thereby raising a princely sum of Rs.4 lakhs! This enabled us to employ two or three quality counselors, to go out and assist companies to understand quality and then to implement measures directed towards attaining higher standards of quality. In present times, nobody questions this and we ourselves are serving 2000 companies in the country. The point is that the regime of extreme controls then had virtually sapped the energy, enterprise and resources of the private sector.

- Second, post 1991, the process of liberalization and competition has ushered in its wake the compelling pressures to survive, improve and perform. Between 1991 and 2006, the process of liberalization traversed through its ups and downs. Even now, there continues to exist too many controls and too much of an interface with the government. However, amidst all these, there is competition; there is globalization; and there is pressure on industry to perform in an open market situation.

In substance, there is a paradigm shift from the public sector occupying commanding heights of the economy in the era of regulations and controls to the private sector progressively gaining commanding heights of the economy. This is happening not just in the domestic Indian economy, but gradually spreading outwards in the position of India Inc in the global economy.

This does not in any way diminish the significance of the public sector's role in the Indian economy. In fact, the public sector enterprises are now playing a much better role and will continue to do so if we give them more freedom and more autonomy. Surely, there are highly competent and professional executives and CEOs in the public sector too.

Globalisation: Issues and Challenges

The most fundamental issue for the industry (whether public or private sector) is how to be competitive in this age of globalization. If industry is not competitive, it will not be able to cope with the pressures of globalization. This means ensuring efficiency, quality, productivity and monitoring costs; watching bottom lines and top lines; and preventing waste of resources; and all of that. Indeed, this is the basic foundation on which Indian industry has to perform. Sustaining competitiveness is an ongoing process, "one can not say I am competitive" and stop at that. Competitiveness and striving towards self-improvement is an on-going phenomenon.

During the current era, we are witness to Indian manufacturing companies acquiring companies abroad and competing internationally. We are witnessing the first set of Indian companies that have become globally competitive and operating efficiently, despite several constraints within the Indian economy. I would not like to reflect on various constraints, because all of us are only too familiar with the same.

The second issue is managing globalization and coping with it through access to appropriate technology. In the olden days, i.e. prior to 1991, and even till mid-nineties, the route to the markets was through joint ventures. The joint ventures brought

technology and gave the products with which one could capture the market. It was then found that joint ventures are not easy to manage because the foreign partner would very often have the technology, and thereby exercise virtual control on the firm. In the present scenario, one can buy technology, and, if required, in a modular (bits and pieces) format.

The joint venture route for large companies with global ambitions is not so difficult. There can be some well thought-out strategic alliances in terms of niche areas of cooperation, but technology is an input that Indian industry has to develop on its own. It can buy technology by spending good amount of resources. But it needs to deploy competent people to develop and improve technology continuously. This was not the case prior to 1991, although we had a relatively good R & D infrastructure then. However, efforts towards adoption of technology was found wanting. There has been considerable re-orientation since then. We all know how Dr. R. A. Mashelkar* had brought about a transformation of the R & D laboratories nationally. Still, we have a long way to go. Thus, technology becomes a major agenda of action for Indian industry in dealing with globalization; it is truly a scarce commodity.

Next, in the olden days, and here one would like to recall Vijay Hazare, who was one of our greatest cricketers known for his dogged batting and tremendous defensive techniques. In a similar vein, Indian industry during the earlier era was highly defensive and focused greatly towards the home market. But those days are gone and protectionism has virtually ended.

* The then Director-General of CSIR

Access to Indian market has become easy; any one can come here, export, invest and even acquire. Thus, Indian industry has to decide whether to emulate Hazare or whether to go out in the field and be aggressive and 'vigorous like Kapil Dev.

I do not think there is any choice for the Indian industry but to venture out. In this era of globalization you can not depend only on the domestic market regardless of how strong one is. Therefore, Indian industry needs to look out and invest abroad; set up operations and manufacture and promote software development centres globally. Globalization brings with it the challenge of managing and dealing with multiple governments, regulators, laws and different cultures. This is being addressed by certain companies, including several Tata companies that are operating internationally, and have experienced the trials and travails of being international, rather than remaining a domestic business and exporting out from India.

In the present age of globalization, I do not see a choice for the "big boys", in that they have to go out if they want to maintain leadership and sustain their present position. Indian industry has to cope with the change; change of customers; change in demand and supply; and change in policies. All these require flexibility and adaptability of different business models across various countries of the world. So, change has become a constant factor of business life.

Unfortunately, we resist change; we like the same bed; we want our morning tea; we want to read the same newspapers. But witness the change in our life style. Most of us now move from hotel to hotel and from bed to bed; read different newspapers;

watch different TV channels; and even communicate through different languages. Such is the reality of globalization. Change, Change and Change, have now become the buzzwords. There is no other choice.

In olden times, Indian industry had to constantly deal with government and manage their relationship by visiting Delhi frequently. No longer so. In the current era of globalization, however, there are so many externalities; and so many factors outside the control of business and industry - be it interest rates in Japan or USA; the sudden developments in the capital markets somewhere else or changes in international commodity prices.

All these factors can impact our business. Indian industry is no longer protected from any development elsewhere; for instance, Iraq war, the Middle East situation and terrorism are some of the issues that impact the performance of Indian industry. Such concerns and issues are certainly beyond the purview and control of the industry.

Thus, on the one side, the world is getting more and more complicated in dealing with all these externalities, and at the same time, the degree of protectionism is increasing, especially in the West even in the wake of increasing globalization. The people in the West are worried about their growth and loss of jobs and they seem to be reacting strongly to the growing phenomenon of outsourcing or reacting to an Indian bank setting up its office in the USA, and hence delaying the permission for such activities. In substance, there are all kinds of non-tariff barriers and various countries are trying to protect themselves by attempting to keep Indian companies, banks and businessmen out of their markets.

Yet another dimension of globalization pertains to corporate governance, irrespective of the quantum and the pattern of share-holdings that public limited companies have to deal with. Not all in the Indian industry have responded to the imperatives of corporate governance as yet. Of course, there are some companies who have, and some of them even serve as role models and benchmarks for others. Surely, good corporate governance, transparency and disclosure of information are basic tenets of modern business practices. In the globalized world, for a company listed outside India, one has not only to deal with SEBI, but also its counterparts in other countries, whether in New York, Singapore, London or Tokyo. This is a reality that will increasingly confront Indian industry as it moves forward.

There is yet one more significant aspect that I would like to reiterate, namely, Indian industry in the globalized world is not in a 100 meter race; it is a marathon race, and also a steeplechase because of the hurdles one has to encounter even in the domestic realm. Thus, to cope with globalization, Indian industry is facing a combination of a marathon and a steeplechase for which it requires stamina as well as physical fitness. Such issues were conspicuous by their absence prior to 1991. But there is a very big challenge now as the corporates have to cope with running both marathon and the steeplechase, or sometimes also a 100 meter race. Thus, there are multiple dimensions of globalization that Indian industry will have to manage in the coming years.

Let me now turn to the other issue, which is not necessarily connected with globalization, namely, the Corporate Social Responsibility (CSR). It is encouraging to observe that India is entering into new spheres of community initiatives, like improving

connectivity; imparting training skills and creating employability; supporting programmes of HIV and AIDS, health, education and poverty alleviation. Such affirmative action is becoming an integral part of good corporate citizenship. Tsunami relief and other areas of disaster management are some of the commendable examples, wherein the local people have derived significant benefits. Such community initiatives help in creating faith, building confidence and expectations about the increasing role of the corporate sector in the ambit of social issues. This is very much a part of Indian ethos and culture for which more and more Indian corporates will need to commit resources, manpower, organizational support, etc. All these challenges can be met effectively. The major building block relates to human resources of the company.

The pertinent issue is whether people in the organisation are ready for globalization? Are we helping them to understand the non-transparent, opaque Chinese market economy as some of the groups and businesses are now doing? Are we teaching them foreign languages? Are we making them understand different cultures?

Today, many Indian companies have multinational employment. There are people of different nationalities working for them, not only abroad but even working in India. For example, the head of my personal office is an outstanding young expatriate who wanted to come and work for two years in India. It is a remarkable change for my organisation to deal with a person with a different background and culture - but that is what globalization is all about and permeating in various organizations. This expatriate is helping us to deal with the world outside. Thus, Indian industry has to be ready to invest a great deal in our people, our employees, because they are the ones who are

going to manage globalization and make it happen. Surely, we have amazing talent in this country and there are about 500-million people who are under 30 years or below. With all due respect to the older generation, I would say that our youth have talent, potential and exposure much more than what we had in our times. So, I feel very confident that these young people will very soon become strong globalisers and achievers in an intensely tough globalizing world.

One key issue, often neglected, but which Mr. Minoo Shroff drew our attention to, while referring to the House of Tatas, is about values. One can buy everything, but no one can buy respect, as Tatas have eloquently demonstrated. Therefore, the need for Indian industry, as they go through all these challenges brought forth by globalization, is not to give up values, but to adopt and adhere to basic values of good corporate citizens. This is very critical in building one's own reputation in the country as well as abroad. Undoubtedly, Tatas offer a tremendous role model for Indian corporates.

Over the last fifty years, the Forum of Free Enterprise has made enormous contribution in promoting business ethics and value systems while propounding the cause of free enterprise. Many of the dreams and aspirations of its founders are now beginning to be realized. Evidently, the most important reason is that the Indian industry now aspires to be the best in the world. But there are still many Indian companies that are yet to get on this 'band wagon' of globalization with emphasis on ethics and values.

I hail from Bengal, though I have not lived there for over 30 years now. We have a very 'crab mentality'; indeed we are global leaders on this score. We have a tendency to bring down the

successful crabs. So there are challenges also on that count in the wake of negative pressures to bring down the role models and to hurt the pioneers and the pathfinders; they live with that danger everyday. As Indian companies are striving to manage globalization successfully, they need to deal with dark shadows of corruption, counter attacks and distractions in policies which could hurt them. Such negative trends need to be specially emphasized because these are the realities of life. There are also pressures of politicization that in many ways would divert their attention from the core business of the company to managing the environment outside, impacting the company's business prospects.

I was with a CEO of a major software company yesterday, according to whom, it takes 14 months to get an environmental clearance for the buildings in their software development campus. This is not an instance about a manufacturing unit or a hotel near the sea, but about software development company. Thus, we have a long way to go in cleaning up policies and procedural environment, which industry has to constantly deal with.

But even in the midst of these challenges I envision a picture of Indian corporate leadership emerging across different areas in the world of globalization. We already know about the remarkable achievements and prosperity of the IT sector. This phenomenon is going to extend to healthcare and other services sector. So I foresee India as a global hub in the services sector over the next five to ten years taking a very different shape, including benefits emanating from the R&D and technology development made by our companies or through outsourcing.

Secondly, consequent to the turn-around and the restructuring by the manufacturing industry, I envisage that Indian manufacturing industry with its engineering skills, and technology

will be on par with China. We keep hearing incessantly - China, China, China - in manufacturing and - India, India, India - in IT and services. I think this will change. Surely, we are going to see a strong Indian manufacturing industry on par with China. All of us are aware that for many decades, more than 800 labour-intensive, but low technology-intensive products, were reserved for the small scale sector. What did this policy reservation mean? It meant that one cannot manufacture the same on a large scale, i.e., one can only produce these in thousands, but not in millions. As a consequence, we have seen how the US and western super markets are filled with products made in China. We are not seen in that market; we have surrendered it to the Chinese. Don't we have the entrepreneurs who can make those simple products? Of course, we do. Don't we have the technology that can make such products? Of course, we do.

However, as a result of official policies that were formulated to supposedly help Indian entrepreneurs have really not allowed them to make simple items in millions and tens of millions to flood the world market. We protected our market because we cannot even compete with imports which are coming from China, wherein state-owned enterprises are making these products in millions of pieces, and doing so at very low costs. Most of these products are manufactured below the cost of production or below the cost of even our raw materials. But this feature will certainly change. We have reduced the SSI reservation from 800 to 380 items now. Every year, step by step, the Indian elephant is moving slowly - there is no question about our being tigers and panthers! We will probably whittle down the list of reserved items to a very small number, thereby unleashing small and medium enterprises (SMEs) in our country. We just need

to free this sector from all such controls and Inspector Raj so that our SMEs can also fly like the big companies of India. I do see Indian manufacturing emerging as a very major force in the world.

Third, because of our scientists and engineers, we will emerge as a R&D and Science and Technology hub of the world. It is already happening. The world is coming to India to undertake their R&D activities. I was talking to Scottbayman of General Electric last week and he was telling me very amazing things that GE is doing globally. The research is done in Bangalore and Hyderabad by several hundreds of Indian engineers and scientists. So, this is the story that will unfold more and more as we go forward.

Let me now make the final point. The process of liberalization has really not touched the food and agriculture sector as yet. I believe that India will emerge as the food factory to the world. As deregulation of food and agri business takes place, newer and newer opportunities will open up for many Indian companies to enter the field. It is, relatively speaking, a new sphere of activity. But I see a huge opportunity in the global context, wherein India will become a food factory to the world. I am emphasizing the word factory because I am following that analogy of factory to the world as a concept, as in the case of services, manufacturing, science and technology. The realization of these aspirations are not too far away. Thus, there is a difference between what happened in the past 50 years and the unfolding future. And this will be made possible by the following key developments:

- First, the Government is gradually getting out of the way. I wish they would also get out of the way of public sector

enterprises so that they can shine in terms of operational performance, customer services, employee emoluments and several other aspects.

- Second, the Indian entrepreneurship is coming of age. In the nineties, China had approached CII to organize their first ever industrial exhibition in Delhi and I agreed to that by becoming partners. Many of our members came to me and said, "you are a traitor, why are you allowing Chinese products to be shown in India?" My response was "Do you know what they make? Do you know their prices and how they construct the prices of their products? Do you know their technology?"

The answer to all such questions was a blunt "No". I then said "How will you know anything if you don't see it?" It was very difficult to get visas to go to China in those days, and for that matter, even now. So we had that exhibition and we advised our companies to depute people to just ask for quotes and have commercial and technical discussions with the Chinese enterprises in every stall. The database we built out of that exercise was incredible. Looking back, I greatly appreciate what Indian entrepreneurship has been able to accomplish, given the opportunity, given the data, given the clarity of purpose.

- Last, the third major factor in an emerging economic scene, which as I mentioned earlier, is the youth of India. I am confident that the young generation in our country is going to make a huge difference in future.

Summing up, let me state that with Government gradually getting out of the way, Indian entrepreneurship will go from strength to

strength, and more and more young people will come to the forefront. Consequently, we will see a different kind of Indian economy and industry emerging. So, as we go forward from the golden jubilee celebrations of the Forum of Free Enterprise, we can look with faith and confidence about the future of our entrepreneurship and industry. Let me also reiterate that for me industry is one - there is no difference between private sector and public sector except the ownership. I would also like to see the change in the ownership of the public sector so that the managers and employees are free to perform. The values on which Indian industry is based will show that the candle which was lit by the Forum fifty years ago is still very bright, and will be brighter, as we go forward!

FORUM

of Free Enterprise

The Forum completed fifty years of its existence in July 2006. This is no small achievement for a non-partisan, non-political, and non-profitable institution. The Forum was established in response to the dominant ideological socialist economic policy unveiled immediately after launching of economic planning in India. It was a spontaneous historical outcome. Its principal goal was to stand up against the onslaught of statism and dirigiste policy-making, which would have sounded the eventual death-knell of liberal economic thought and free market economy in India.

The fact that the Forum has not only survived, but its position has been fully vindicated by the events leading to economic reforms of July 1991, and magnificent on-going transition of India as an emerging economic power, is eloquent testimony of the vision and courage of the founders of the Forum. Those who struggled through some of the worst of times of intensely controlled and repressed economy during roughly the first four decades of planning, now have reason to be happy about the distinctively positive outcomes of the new economic milieu.

But fuller realization of the hopes and aspirations of its founders, and what the Forum still stands for, invites continued vigilance, especially of our youth. There is still so much at stake for all the stakeholders of the Forum; and the key challenge is to guard against failures of economic liberalization and continued pressures from the Leftists political parties to thwart economic reforms by building a populist ideological divide.

The Forum continues to be increasingly relevant to educate and enlighten every one concerned about the imperatives of liberal economic democracy, based on sound economic principles; values and ethics of good business; right systems and regulations; and a just and equitable human society sharing the gains of economic prosperity. So much awaits the future generations of India by virtue of the current spectacular transformation, and which the Forum must strive to make it as secure as possible!

For a significant number of young Indians born after 1991, the relentless domination of state and bureaucracy controlled model of economic development of India is mostly unknown. The struggle for economic freedom from state domination has been no less significant than India's glorious movement for political independence. In securing this economic independence, the Forum has played a very crucial role. Its activities have had a significant spread and have focused on public education, youth leadership, good citizenship, business ethics and code conduct, promotion of professionalism in business, and supporting good institutions involved with promoting noble public causes.

A Manifesto

Published by the Forum on July 18, 1956

WE BELIEVE that democracy is an essential element in the Indian way of life. Free Enterprise is an integral part of it and as such it should be permitted to play its legitimate role in our national life.

WE BELIEVE that today the case for Free Enterprise is going by default. In recent years it has been target of sustained and unjustified attacks. The contribution which it has made to national

progress has not been given the recognition that is due to it. There is urgent need to educate public opinion on the fundamentals of Free Enterprise and on the contribution which it can make to national welfare. That is why this Forum has come into being.

WE BELIEVE that the beginning of intelligent living is the beginning of Free Enterprise. It is not something new; it is as old as man. The man who first discovered fire was a Free Enterpriser as also the man who invented the locomotive. Today, the man who builds up industries is a Free Enterpriser; so also is the small trader. The shopkeeper and the merchant, the farmer and the artisan, the worker and the manager, the doctor and the lawyer, the sales man and the company director - all these are Free Enterprisers.

WE BELIEVE that it is the legitimate expectation of reward for honest, productive effort which motivates Free Enterprise. This expectation of reward for endeavour is inherent in human nature. The desire to earn the fair wage or to make a legitimate profit is necessary and healthy, and is in sharp distinction to profiteering which is anti-social and evil.

WE BELIEVE that Free Enterprise is a natural phenomenon and has responsible for the progress of mankind. In our own country, the development of the steel, textile, sugar and cement industries as well as those of shipping, banking and insurance, despite the handicaps under which they have laboured, stand as testimony to the qualities of Free Enterprise. The fact that Free Enterprise has the capacity to fulfil its responsibilities is proved by its record in the First-Year Plan during which a number of industries exceeded the targets allotted to them.

WE BELIEVE that Free Enterprise must and can operate only within the framework of values and principles of a democratic society. Within this framework it moves as a well-balanced wheel satisfying the needs of the consumer, worker and investor. Under this system, only those goods and services can be produced which the consumer is prepared to accept. Free Enterprise has, therefore, to be competitive and to carry on constant research to win a widening circle of consumers by providing better and cheaper goods and services. As with the consumers, so also with the workers. They have the freedom to choose alternative employment; they have the right to demand higher wages; and they have the right to deny their labour. The investors, having risked their savings to start and develop industries, have the right to ensure that these industries are efficiently run and so earn for them a fair return. Free Enterprise is thus economic democracy in action. Unless it is allowed to play the entire fabric of democratic society would be in jeopardy.

WE BELIEVE that in the circumstances prevailing in our country today, there is ample room for State enterprise to function alongside of Free Enterprise in the service of people. Monopoly of any kind, whether State or private, is undesirable. Should any single organization arrogate to itself the right to do everything, it would escape the delicate mechanism of free and democratic social order. Under monopoly conditions, the consumer would be forced to buy only that which is offered to him, the worker would find himself gradually deprived of his right to choose his job, to demand higher wages, and to deny his labour; the investor and the entrepreneur would be denied the opportunity to promote the development of industries of their choice.

WE BELIEVE that despite our basic democratic character, there have of late been many dangerous trends. The latest example

is the displacement of normal trade channels by the intrusion of State trading. This process can result in depriving the country's individual traders, large and small, of their livelihood, concentrating at the same time a dangerous amount of power and patronage in a few hands. We have to guard against such tendencies if our traditional way of life is not to be destroyed.

WE BELIEVE that Free Enterprise must have clean hands. We realize that within its fold, as in that of every system, there are black sheep, and it will be our constant endeavour to develop and foster healthy traditions with Free Enterprise. We also accept, without reservation our obligations towards the community as embodied in regulation by a democratic government.

WE BELIEVE that Free Enterprise is your enterprise and contributes to your prosperity. It is the lifebreath of free society. It is not a creed; it is a way of life which all who cherish freedom must safeguard.

The Forum of Free Enterprise is a non-political and non-partisan organization. The Forum will disseminate authoritative information to educate public opinion. It will bring to public notice the achievements of Free Enterprise in this country and the manner in which it can make its contribution to the economic development of India in order to raise the standard of living.

We invite all those who believe in the value of voluntary enterprise, whether they be in service, professions, agriculture, trade or industry, to join us in developing the activities of the Forum.

"People must come to accept private enterprise not as a necessary evil, but as an affirmative good.

- Eugene Black

FORUM

of Free Enterprise

The Forum, a non-political and non-partisan organization, was established in July 1956 to educate public opinion in India on free enterprise and its close relationship with the democratic way of life. The Forum seeks to stimulate public thinking on vital economic problems of the day through booklets, meetings, and other means as befit a democratic society. The Forum also seeks to help build good citizenship through elocution and essay competitions, leadership training camps and other activities for the youth.

Membership of the Forum: General Members - entrance Rs.100 and annual fee Rs.100; Associate Members - entrance Rs.40 and annual fee Rs.60; Student Associates (graduate and post-graduate students, full-time management students, students pursuing chartered accountancy, company secretaries, cost and works accountants and banking courses) - Rs.10 per year (no entrance fee).

Please write for membership details to: Forum of Free Enterprise, Peninsula House, 2nd Floor, 235 Dr. D.N. Road, Mumbai 400001. E-mail: ffe@vsnl.net. Telefax: 022-22614253

Published by S.S. Bhandare for the Forum of Free Enterprise, Peninsula House, 2nd Floor, 235 Dr. D.N. Road, Mumbai 400 001, and Printed by S.V. Limaye at India Printing Works, India Printing House, 42 G.D. Ambekar Marg, Wadala, Mumbai 400 031.

8/May/2007