

Global India Inc deserves better governance

AS I hurtle along at a silent and smooth 300 kms per hour on the TGV from Paris to Brussels, I see all the major dailies of Monday, June 26, announcing the final 'amicable' resolution of Mittal's takeover bid of Arcelor, creating the world's largest 100 mt steel behemoth. Mittal, having upped his offer by 43% of the original bid, will now control a company whose market valuation at the offer price is about \$35 billion, bigger than the GDP of a majority of Indian states.

Lakshmi Mittal is now described as the man with the vision for the global steel sector with production capacities in four continents and now unfettered access to cutting-edge technologies for special steel production, signifying unprecedented

level of vertical integration for any single steel producer. As this was not enough to draw attention to global forays of Indian private sector, the *Financial Times* this morning also carries the news of another acquisition by Tata Tea of a US company (Eight O'Clock) for \$220 million.

The two acquisitions point clearly to the emerging trend of India's private sector using all possible means to access production and marketing technologies that alone will ensure its global competitiveness both in foreign and domestic markets.

This somewhat unexpected global activism on part of Indian private sector has significant portents for the expansion of India's industrial and manufacturing ca-



Rajiv Kumar
MATTER OF POLICY

pacities. The private sector has correctly concluded that to be successful even in the domestic markets, it must adopt the latest technologies and marketing strategies and adapt them to the specific conditions obtaining in India.

It is also beginning to recognise the critical importance of both product and process innovations (witness the \$3,000 Tata car expected in 2007), ramping up its R&D activities and collaboration with public sector labs for breaking new grounds. It is developing the

SEZs to try and make up for the infrastructure deficit. Quite visibly, Indian private sector has accepted the challenge of global competitiveness and now realises that India's domestic market is but a part of the larger, more lucrative and more fiercely competitive global market. It is and will continue to take steps necessary to ensure its expansion in these conditions.

But can the private sector take on the challenge of expanding its share in global markets on its own, without necessary and expected contribution by the public sector? If Indian private sector

believes that it can, it is a case of misplaced confidence or false bravado though the spirit is admirable.

To be a successful player in global markets, Indian private sector must get access to efficient supplies of public goods and services and a supportive investment climate, which companies in other countries take for granted. Government departments and agencies should now shed their implicitly non-supportive stance and mentality towards private sector. Government procedures, regulations and requirements must become increasingly transparent and be rationalised to afford a degree of certainty and clarity to the private sector as it goes forward in expanding its ca-

pacities either domestically or abroad. Mittal's success should not simply lead to new and prolonged bout of back-slapping and further complacency. It should instead be seen as a call for government in India adopting the same global standards which have been successfully adopted by the Indian private sector as it takes on its competitors in markets at home and abroad.

(The author is director and chief executive, ICRIER.)

HT Connect

sms BIZ to **4242**

for the latest business news

or log on to

www.hindustantimes.com/business