

INDIA RISING

The world's second-most populous country is gearing up for unprecedented growth, and the U.S. is more than an interested spectator



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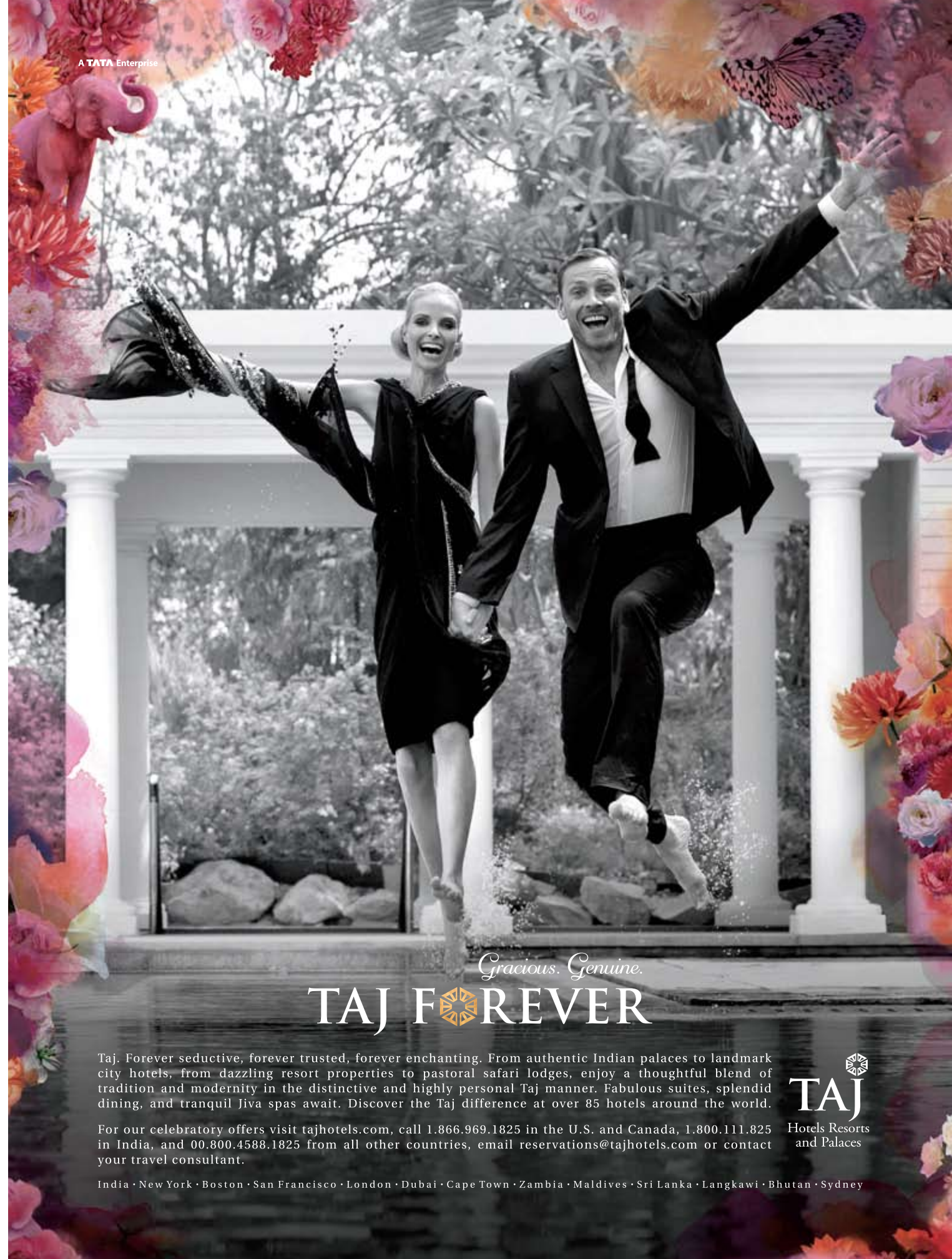


As the 21st century began, India walked the dividing line between modernized and underdeveloped. The century won't end with a similarly ambiguous perception of India; it's even possible that the present decade won't end that way. In his speech last fall to the Indian Parliament, President Obama saw fit to declare: "In Asia and around the world, India is not simply emerging, India has emerged."

Earlier in that address, the President drew loud applause by advocating India's ascent to the ultra-exclusive perch of permanent membership on the United Nations Security Council. Ratification of this endorsement has proved elusive. Still, it adds credence to U.S. assertions of India's new place among the elite.

Pursuing diplomacy and trade with a rapidly modernizing India, the U.S. could act the role of patronizing superpower, but by its policy and rhetoric Washington has veered from such typecasting. Geopolitics and global ecology are too fragile and volatile for American paternalism toward a valued Asian ally that is the world's largest democracy.

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There's something familiar in the acclaim offered to India by Obama (and his Oval Office predecessors George W. Bush and Bill Clinton). Their words echo tributes paid by previous Western thinkers. Ralph Waldo Emerson praised India's early philosophers for having "pondered and thus disposed of the questions that exercise us [now]." His 19th-century contemporary H.D. Thoreau called the Sanskrit Vedas "the royal road for the attainment of the Great Knowledge." To American historian Will Durant, India's tradition of wisdom was "the mother of [Western] philosophy" and its sprawling system of village communities the world's model "of self-government and democracy."

Those thinkers, were they still around, would recognize India as the epicenter of U.S. strategy in an unstable part of the world. Ron Somers, president of the U.S.-India Business Council (USIBC), states plainly that "India lives in a very rough neighborhood." The great unknown of Chinese long-term intentions continues to weigh on nearby India (and on America as well, China being its primary global rival). Even well-informed Westerners, according to Somers, don't realize that China invaded the disputed Indian region of Aksai Chin with a force of 20,000 as recently as 1962 "and still has troops on the ground inside the Indian border." In neighboring Pakistan, nuclear materials and technology that are a source of Indian concern were supplied by China, Somers points out, and some of that nuclear technology has found its way to Libya, North Korea and Iran. The nearby war



"India's progress in just two decades is one of the most stunning achievements in human history." — President Obama

zone in Afghanistan and general turbulence of the Middle East provide additional basis for a strong U.S.-India alliance.

Promoting trade, investment and partnership between the two countries has been USIBC's mission since 1975, recognizing that strategic goals must rest on a foundation of robust commercial engagement. A host of factors make the work of expanding commercial ties particularly gratifying nowadays. Political bonds are strong with no sign of interruption, and they are underpinned by important shared beliefs in non-aggression, individual freedoms and the importance of higher learning. Along

with these commonalities, however, come certain differences. India's role as a "late industrializer"—whereby a vast number of citizens still remain unsupplied with electricity—ranks the nation 145th worldwide in per-capita carbon emissions, compared to the U.S. at No. 10. Even with its comparatively good national emissions ranking, India has resisted U.S. urgings to support international treaties with binding caps on carbon emissions.

A recent policy brief by the Carnegie Endowment for International Peace offers important guidance to U.S. investors and marketers who are wondering whether sustainability issues will put the two governments at odds or draw them together. The brief points out that the government of Prime Minister Manmohan Singh, despite resisting the caps, "has begun to unilaterally implement an immense national agenda" for sustainable energy. These measures range from "large-scale reforestation to improving energy efficiency, to increased investment in renewable and non-fossil energy, to the planning of domestic carbon-trading programs."

In the closely watched area of defense spending, a planned outlay of nearly \$11 billion for multi-role combat aircraft represents a landmark opportunity for several American manufacturers. Companies like Boeing, Lockheed, Honeywell and Raytheon have been constrained by India's decision to limit foreign direct investment in military defense to 26 percent of equity, but there is more at stake than just the pure dollar value to the U.S. economy that would flow from a

S3



INDIA: FACTS AT A GLANCE

POPULATION	GEOGRAPHIC SIZE	POPULATION DENSITY	POPULATION SPREAD	MEDIAN AGE	WORKFORCE	GDP BY SECTOR
1.21 billion. World's second-most populous nation, largest democracy	1.27 million sq. mi. Seventh-largest country, about one-third the size of the U.S.	15% of global population, on 2.4% of global land area	70% live in 550,000-plus villages, 30% in cities	25, one of the youngest among large economies	467 million: 52% in agriculture, 14% industry/commerce, 34% services/government	Services and transportation, 54.9%; industry, 28.2%; agriculture, 17%



SOURCE: U.S. DEPARTMENT OF STATE



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The wharf at DP World Ltd.'s Nhava Sheva port in Navi Mumbai. It's the first Indian port capable of handling the world's largest container ships.

Citigroup has been in India for 108 years. Gillette's presence dates far enough back that most Indians are unaware it's an U.S. company. Nor are foreign giants merely setting up small satellite offices in India: Accenture, IBM and Cognizant view the country as a valued IT hub, and employ hundreds of thousands there.

In preparation for this next reality, SHRM India's corporate solutions team is closely working with various stakeholders to enhance their HR capabilities. An industry-to-institute interface will drive an "assurance of learning" initiative that will increase workforce readiness. The association's research of best practices used by large organizations such as Indian Railways, Life Insurance Corp. and Accenture, can be showcased, replicated and scaled-up within India and globally. Networking forums and knowledge center initiatives communicate and share these best (and next) practices with HR practitioners across the country.

For the mid-sized or smaller American company entering the Indian market as a supplier or a joint-venture partner, expectations regarding the turning of bureaucratic wheels must be managed. Dr. Sada Joshi, founder and CEO of Tulsa, Okla.-based Joshi Technologies International (JTI), says Indian officials have been doing a better job in this regard. Recently working in the western Indian state of Gujarat, JTI took on a drilling project for which the environmental permits and other clearances were granted expeditiously. "Government has become more results-oriented," says Joshi. "I find there is more flexibility among bureaucrats in making decisions without unnecessary delays."

Educated in his native India, Joshi pursued a Ph.D. at Iowa State and found his way into the Oklahoma oil patch. JTI serves North America, Colombia, Ecuador and India. Oil and gas production, Joshi's mainstay, is one of many industrial-services and manufacturing categories where he sees opportunity for U.S. firms. "I talk to businesspeople from America and encourage them to expand into India," says Joshi, whose company is a leader in special petroleum extraction techniques. "Some of them have

hefty share of \$11 billion in contracts. Given the role of technology in India's present and future, any international collaboration in the tech arena builds both trust and further partnership opportunities.

In the view of Somers, India must also create openings for foreign companies in its financial services market, a move that would help drive economic maturation and establish a conduit for investment in India's infrastructure sector, while providing opportunity for American banks and insurance companies. "India has to open up the insurance sector," says Somers. "Such an opening would help create a long-term debt market. Long-term debt is the missing ingredient needed to fund India's plans for a vast outlay in infrastructure development—requiring \$4.5 trillion by India over the next 10 years. That requires legislation and at least some shift in attitudes."

Having grown its GDP by 8 percent in 2009–10, and on track for GDP growth of 8.6 percent in 2010–11, India and its 1.2 billion people occupy a historically novel position. Building out its infrastructure and expanding human services to its vast rural territories, India needs technology to mitigate industrialization's environmental impact as much as it needs the technology to industrialize. Demographics pose a challenge, as so many live in rural poverty, but, overall, India's statistics hold out more promise than burden. Its inhabitants have a median age of just 25; 54 percent of the population is

under 25, and 70 percent is under 35. G. Ravindran (Ravi), a people-business leader, is the CEO of SHRM India, the world's second-largest presence of the U.S.-based Society for Human Resource Management (the world's largest such association). His biggest long-term task is to leverage the "population dividend" that these statistics represent by collaborating with corporations (including multinationals), academic institutes, industry associations and local government administrators.

"In India," says Ravi, "50-plus is considered old, and not just because our population skews toward 30 and under. It's the attitude and character of this 'neo-generation.' They are heavily exposed to technology from childhood, and heartily embrace a rapid rate of change. We never hear 'It can't be done.'"

When Ravi looks forward to 500 million of the neo-generation entering the workforce in the next 10 years, he doesn't understate the challenge of making them workforce-ready. The goal, he says, will be to ready employers to receive talent with new attitudes, possibly into roles that do not exist today. As the education sector opens, there will be emerging demands on teaching and training, both brick-and-mortar and online. "We have 3,000 colleges now, but we could use 35,000 institutions with a sharp focus on employability," says Ravi.

It is worth noting that India is hardly a new market for major U.S. firms building facilities and employing native workers.

gone over and were successful in securing the business." Over the last 20 years, Joshi has observed a strengthening of the bond between India and the U.S. "Both are strong democracies," he says, "with the same need to be vigilant against terrorism and a shared belief that technology is vital to solving problems and helping society."

Rapid expansion of an economy across a gamut of industries naturally boosts the metrics of foreign visitation: According to the World Travel and Tourism Council, India business tourism will contribute over \$14.2 billion to the economy in 2011, representing a 7.8 percent increase over 2010. Final figures for India's 2010–11 GDP growth in the hotel, transport and communications categories are expected to show year-on-year growth of 11 percent. When foreign businesspeople make trips to India, a large percentage of them patronize the Taj Hotels

"There is an Indian-ness in the way our young people are adopting modern things. India will modernize, but always be an exotic place." — Ajoy Misra, Taj Hotels

group—a pillar of the hospitality industry in a nation whose governmental agencies haven't yet opted for public-private ventures to build needed convention centers.

"India is taking steps to further accommodate very large conventions by constructing the necessary centers," says Ajoy Misra, the company's senior vice president of sales and marketing. Meanwhile, the private hoteliers fill the need. "Taj Hotels plays a significant role as either sole host or part of a network of host hotels handling events like the World Economic Forum conference," Misra says.

Out-of-country travel statistics for India's growing middle class are on a long upward trajectory, which many say has made the country less insular and more attuned to the Western pace of business operations. Misra sees his countrymen in the rising middle class turning their sights outward. "Indians traveled abroad at increased rates

even during these two-plus years of recession," says Misra. "We have a new middle-class traveler who is getting out to see the world. These travelers start out on shorter trips, often on a tour package, but then graduate to farther-off destinations and begin to do their own trip planning."

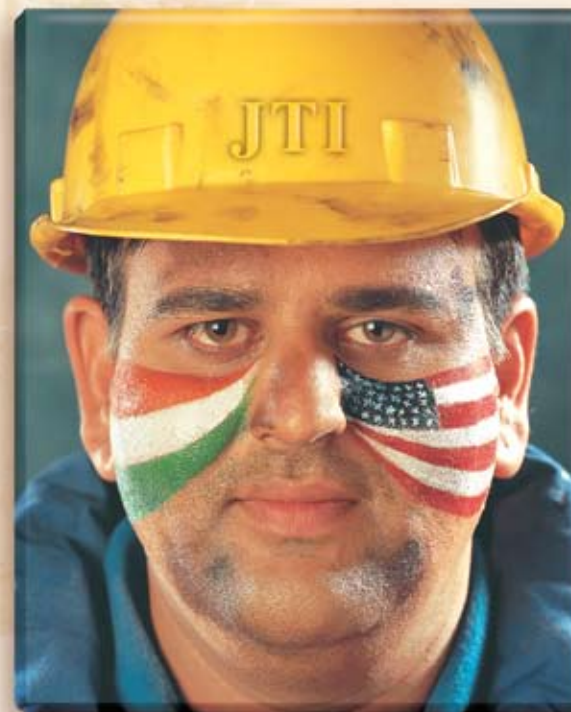
Executives who see opportunity in the re-making of India naturally welcome modernization. Yet seldom is a Westerner's business trip to India not mixed with the pleasures of Indian culture, cuisine and character. Will swift modernization dilute these qualities? "I would answer in part by telling you about the young generation who will build India's future," says Misra. "There is an Indian-ness in the way they adopt modern things. When you come here in the future, your five senses will be stimulated as a traveler's always have. India will modernize, but she will always be an exotic place." ●

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