

Final Report from

Asia Society's 16th Asian Corporate Conference,

**“Driving Global Business: India's New Priorities,
Asia's New Realities”**

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TABLE OF CONTENTS

INTRODUCTION	3
INDIA'S NEW PRIORITIES	4
High Growth Trajectory	
Addressing Infrastructure Challenges	
Urban Renewal	
Development of the Financial Sector	
Current Account Convertibility	
Investor-Friendly Policies	
Manufacturing Sector	
Agricultural Sector	
Rural Development	
Biotech Boom	
Entertainment Industry: Bollywood's Boom	
INDIA'S ENGAGEMENT WITH ASIA	19
India-China Partnership	
India-Pakistan Relations	
ASIAN ECONOMIC INTEGRATION	23
HIV/AIDS: GLOBAL CONCERN	25
CONCLUSION	26

'Driving Global Business: India's New Priorities, Asia's New Realities'

INTRODUCTION

The Asian economic resurgence, fueled by powerhouses India and China, is redefining global business. Global corporations are increasingly gravitating towards Asian nations in pursuit of market access and sustainable business growth. In the initial years of Asia's economic boom, the low cost and high availability of labor were the primary forces driving western companies to relocate their manufacturing and back-office operations to the region. Now, a plethora of business opportunities are drawing corporations to Asia and making the region an essential part of all international business strategies.

Global businesses view countries like India and China as rich reservoirs of human capital that will both deliver cutting-edge business solutions and drive demand for goods and services. These countries, in turn, have sought to create investor-friendly policies while working to establish the necessary infrastructure to support such growth. Despite the many challenges and obstacles, vast potential exists in what many are calling 'the Asian Century.'

Asia Society's 16th Asian Corporate Conference, co-organized with *The Wall Street Journal* and Confederation of Indian Industry (CII), highlighted the positions of strength that India and other key Asian nations have come to occupy in the emerging world economic order. It was fitting that Indian Prime Minister, H.E. Dr. Manmohan Singh, inaugurated Asia Society's new India Centre in Mumbai at the Opening Dinner on March 18. (See photos available on Asia Society's conference website)

Reflecting on the conference theme 'Driving Global Business: India's New Priorities, Asia's New Realities', Dr. Singh said even as Asia increases its

engagement with the US, it is important that Asian countries cooperate amongst themselves in multiple areas.

Articulating India's 'Look East' policy, the Prime Minister said, "We are linking India into a web of partnerships with the countries of the region through free trade and economic cooperation agreements. A pan-Asian free trade agreement (FTA) could be the future of Asia."

India's economic ascendancy has set the stage for Mumbai to develop as a financial hub for the Asian region. Dr. Singh stated that Mumbai, with its inherent advantages in terms of human capital and commercial acumen, could become a viable regional financial centre. He announced that India was preparing to move towards fuller capital account convertibility that "will facilitate the transformation of Mumbai into not only a regional but also a global financial centre."

While highlighting the need for India to improve its physical infrastructure, the PM said, "I do believe that Mumbai can learn from Shanghai's experience in reinventing itself; in rebuilding itself; in rediscovering itself." He called on Mumbai to transform itself "from being a gateway to India to becoming a gateway to Asia."

The full text of the Prime Minister's speech is available at:

www.asiasociety.org/conference/speech_singh.html.

INDIA'S NEW PRIORITIES

The Indian growth story is captivating a new generation of policy makers and corporate chieftains. Clyde Prestowitz, President, Economic Strategy Institute, said he had predicted the 21st century would be India's century both in terms of business and technology, but for the story to be fully,

realized, the country would need to (i) build quality infrastructure, (ii) broaden education; (iii) enhance resource availability; (iv) control pollution; and (v) curb corruption.

Prestowitz went on to say that while it might be tempting for Indian policy makers to benchmark American practices, “the American model would not be a viable one for India.”

According to him, India will have to steer clear of the high and disposable consumption model.

Highlighting the growing interest in India among global players, Christine Brendle, Managing Director, *The Wall Street Journal Asia* and *Far Eastern Economic Review*, said that demand for information on India was growing and that it was not limited to narrowly-focused areas such as IT. As the second fastest growing economy in the world, India has opened vast new opportunities for global businesses. The country’s commitment to rollout a second generation of economic reforms has further deepened its international business standing.

High Growth Trajectory

The new millennium has seen India reclaim its leadership position in global affairs. The country has spearheaded the interests of developing nations and galvanized the integrative forces of Asia. This leadership status is, in many ways, a by-product of India’s recent economic successes.

Current trends suggest that India will maintain its high-growth trajectory, though double-digit GDP growth may not come until the infrastructural issues are resolved. Expressing the general optimism, Dr. Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, Government of India,

said that 7 percent GDP growth was assured even if business continued as usual and economic reforms moved at a leisurely pace. “But, that’s not good enough,” he said, adding that the economic structural changes have set the stage for 9-10 percent GDP growth in the medium term.

Surjit S. Bhalla, Principal and CEO, Oxus Investments, felt that India is in the ‘sweet-spot’ of growth. He explained that this growth is not sporadic; the economy grew at 5.5-6.0 percent per annum for some 25 years before escalating to an annual growth rate of 8 percent in the last three years. Bhalla attributed this growth to India’s shifting demographics and the rise of the middle class.

Human capital is recognized as one of India’s key strengths, but infrastructural inadequacies have dissuaded foreign investors from scaling up their operations in India. India receives a mere US\$6 billion worth of foreign direct investment (FDI) while China, with its well laid-out infrastructure, attracts over US\$60 billion FDI.

Eminent speakers at the conference expressed diverse views on the subject.

Addressing Infrastructure Challenges: Transportation & Energy

In channeling investments for sector development, policy-makers should be on guard against creating over-capacity. Clyde Prestowitz expressed the view that China and several Southeast Asian countries have over-invested in infrastructure and physical capacity-building functions, which, in his view, is not a sustainable model. So, India is well advised to make judicious use of resources for infrastructural development.

Nevertheless, Marcus Wright, Senior Editor, Dow Jones Newswires - Asia Pacific, felt that India could not declare itself open to business unless it addressed its infrastructure challenges.

Rajiv B. Lall, Managing Director and CEO, Infrastructure Development Finance Company Ltd. (IDFC) admitted that infrastructure posed a huge challenge for the country. With only about US\$25 billion spent annually, infrastructure forms only a small part of the country's total GDP outlay. However, he was hopeful that the pace of infrastructure development will pick up.

Lall said the trickling down of the benefits of competition will induce more people to support the core sector development plans. He cited India's telecom boom as one instance of a competitive and thriving industry powering infrastructure growth.

But the pathway to infrastructure development is strewn with huge challenges. Dinesh Keskar, Senior Vice President, Sales, The Boeing Company, pointed out that the government's 'Open Sky Policy' has created acute bottlenecks at most of India's airports. As a case-in-point, the Mumbai airport is currently approaching its capacity limits, handling some 32 flights per hour. Other key airports in the country are also faced with the daunting task of scaling up infrastructure to accommodate rising air traffic. The entry of a significant number of domestic low-cost carriers has added to the infrastructure woes, and airport congestion is slated to increase as Indian air operators have placed orders for nearly 300 aircraft over the last 18 months.

The power sector is another key infrastructure area that calls for immediate attention, given the huge electricity supply shortfalls experienced by regions across the country. The expert panel that

deliberated on this topic said the Indian government had made conflicting decisions in recent years with regard to power generation and transmission. However, they agreed that privatization, even at a gradual pace, is leading to positive results.

The panel took this view against the backdrop of the recent revival of the Dabhol power project in the western state of Maharashtra.

To push ahead with infrastructure development plans, India requires a higher degree of international assistance. Responding to this need, Yasutoshi Nishimura, Member, House of Representatives, Japan, said his country would channel a higher portion of ODA to India for infrastructural development. He also said that Japanese FDI in India is set to grow ten-fold in the next five years.

Urban Renewal

Urban renewal is a key challenge for the Indian government. An Urban Renewal Mission was recently set up to upgrade the infrastructural facilities at the key metropolitan cities.

Maharashtra Chief Minister, Vilasrao Deshmukh, set the tone for the discussion stating that in view of Mumbai's ascendancy in the ranks of global metros, the city will see dramatic changes in the coming year and world-class facilities will be made available within the next five years.

However, the obstacles are many. In 1985, 15 percent of India's population lived in urban and semi-urban areas. This figure swelled to 30 percent by 2005. Speaking on the theme 'Emerging Mega-Cities: Case Studies on Urban Renewal and Development,' Milind Deora, Member of Parliament, India, said that past governments had not properly addressed

the pressures caused by growing urbanization in India. He attributed this to the rural focus that most elected leaders maintain. The current government's urban renewal mission aims to address the key infrastructural issues that inhibit Indian metros.

Deora said that urban renewal plans to a large extent were constrained by the constitutional provision that kept land as a 'State subject'. He indicated that the Centre has a very limited role in matters related to land and hence a limited ability to bring about comprehensive land reform.

He said the time had come for archaic land laws to be reformed and for policy makers to establish a consensus among the various stake-holders in this regard. He called for a gradual liberalization of the Rent Control Act to benefit cities in the long run and the need to focus not only on major cities but also semi-urban centers across the country.

Mukesh Mehta, CEO, MM Consultants, cited that 10 percent of India's population lives in urban slums, which was the result of sheer neglect by policymakers. He said that 55 percent of people in Mumbai are slum-dwellers, adding that slum rehabilitation in the city presents both challenges and opportunities for economic growth.

Mehta said that plans are afoot to make Mumbai slum-free by year 2020, which can be achieved in other Indian metros as well. This, however, will require a strong private-public partnership.

Narinder Nayar, Chairman, Bombay First, lamented the fact that Mumbai's 19th century infrastructure has had to handle 21st century vehicular traffic. The city is acutely short of open spaces, and people have to make do with limited power and water supplies. He added that the city does not have a single point of authority to ensure good governance. Lack of adequate

infrastructure and poor city governance are the key constraints for Mumbai, and he recommended that the city establish a single governing authority, similar to the Mayor of London or New York.

Slum-dweller rehabilitation is a highly contentious issue in Mumbai. Mehta said that the Maharashtra government has provided for alternative housing to a large number of slum dwellers and real estate developers are being engaged to develop the encroached land. However, he said these programs have not made sufficient progress due to various factors.

Milind Deora reinforced the need to develop Mumbai's hinterland, which can absorb a significant part of the city's population.

The panel was in agreement that awareness-building regarding urban development issues was necessary in order for progress to be made in a reasonable timeframe.

Development of the Financial Sector

For Mumbai to develop as a regional financial hub, Indian financial markets will have to advance. Jack Wadsworth, Advisory Director, Morgan Stanley, and Vice Chairman, Asia Society, argued that India's total domestic market capitalization at US\$60 billion was far too small compared to the overall size of the national economy.

Speaking on the session topic 'Opportunities and Challenges in India's Booming Sectors – India's financial markets', he said the Indian government would have to broaden domestic bond markets and strengthen enforcement agencies in the financial markets.

Challenges abound in the financial sector; however, A K Purwar, Chairman, State of India, said recent developments are positive. The

rising credit demand comes from diverse business sectors. Purwar added that the credit demand is likely to rise further as India maintains a high growth trajectory.

He agreed with Wadsworth on the need to broaden the domestic equity and bond markets. Specific to the bond market, he said the government is working to introduce an electronic-based system that will bring significant benefits.

Purwar highlighted the huge growth opportunities in the refinancing and securitization markets.

Uday Kotak, Executive Vice Chairman and Managing Director, Kotak Mahindra Bank Limited, said the domestic market capitalization is poised to touch the one trillion dollar mark in the next few years. Domestic capital markets could become the second largest, after the US capital markets, but certain policy changes were called for.

The real challenges, in his view, would be to develop a convertible bond market in India, promote stock borrowing and lending, create a common platform for capital market transactions across borders, set up an efficient market wherein issuers will have the choice of whether to opt for a GDR, ADR, 144A, and introduce structured products, such as capital guarantee products.

Kotak said while the equity markets have seen significant growth, serious efforts are needed to develop the fixed income market. He said there is an emerging need to integrate the regulation of both equity and debt markets.

L. Brooks Entwistle, Managing Director and CEO, Goldman Sachs (India) LLC, noted the significant increase in the number of inbound and

outbound M&A deals in India. He said the rising number of growth-oriented IT, healthcare and financial companies going public had generated considerable excitement in the Indian markets.

With regard to the capital needs of smaller companies, Kotak advised that while some of today's big companies had indeed started small and had successful capital market listings, in general, private equity participation and venture capital funding would be the best options for small companies.

Current Account Convertibility

The Indian government is taking strident steps to adopt current account convertibility even as the world takes note of India's resurgence as an economic powerhouse. Dr. Manmohan Singh stated "there is merit in moving towards fuller capital account convertibility within a transparent framework".

The Prime Minister requested that the Finance Minister work with the Reserve Bank of India to "prepare a roadmap on current account convertibility based on current realities".

Investor-Friendly Policies

For years, overseas investors were upset over the 'exit clause' in India that prevented foreign partners from exiting Indian joint ventures for purely business reasons. But, that has changed now. Dr. Montek Singh Ahluwalia said that today companies could enter into joint ventures in India through a contractual understanding independent of any government role.

Pulak Prasad, Managing Director, Warburg Pincus India Pvt. Ltd, remarked that in the past local players had viewed the entry of foreign

players with trepidation and sought 'protection' but today several Indian companies have gone global, creating a competitive domestic business environment.

Yet some of the speakers indicated that protectionist 'Bombay Club' sentiments are still alive in some form. Speaking at a round table discussion on 'Unleashing India's Potential: Next Steps for an Enhanced Investment Climate', Sunil Mehta, Country Head and CEO-India, American International Group, Inc., said that to attain double-digit growth, India would have to open up sectors, such as, the pension sector, and raise the foreign investment cap on the insurance sector. This will provide the necessary impetus for infrastructural growth, he said, adding that incremental growth in employment from such initiatives will be the other key attraction.

He questioned the rationale behind limiting FDI to 26 percent in various domestic business sectors.

Rajesh Khanna, Managing Director, Warburg Pincus India Pvt Ltd, said his company believes the quality of management of many of the companies in India is comparable to the best in the world, and highlighted the corporate governance standards maintained by companies like Bharti, Infosys and HDFC. Furthermore, he stated that the returns on their investments in India were attractive and that Warburg Pincus was seeking to invest in a few larger Special Economic Zones that allow development of unique infrastructure. He expressed hope that the labour laws would change for the better to make investments in SEZs more attractive.

Speaking on the issue of labour reforms, Sunil Mehta said the government would have to focus on effective sequencing of the reforms, as well as sending positive messages that privatization will unlock major employment

opportunities across various industries and related fields. However, he said the government should also seek active engagement of all constituencies in rolling out the reforms.

In a similar vein, Atul Singh, President and CEO, Coca-Cola India, said policy makers should seek to ascertain the views of all affected groups before preparing the roadmap for labour reforms.

Sunil Mehta pointed out that views on labour reforms might change against the backdrop of increasing job opportunities. “Today, companies are faced with problem of attrition.”

On whether the business sectors have truly opened up, Dinyar Devitre, Senior Vice President and CFO, Altria Group Inc., and Trustee, Asia Society, said that many of the steps are half-measures. Foreign investors seek a level-playing field and not hand-outs. This, in his view, was one of the reasons for the huge disparity in FDI inflows between India (US\$6-7 billion) and China (US\$60 plus).

Rajesh Khanna was of the view that while the transaction/friction costs were relatively low in certain sectors, areas like real estate are still fettered by hidden costs and complex regulations, because of which Warburg Pincus, even as it sought to set up a real estate company in India, has not firmed up its plans.

In response to a question raised by session moderator Henny Sender, Senior Special Writer, *The Wall Street Journal*, on competition between states in India for investment, Devitre said that Indian states unlike provinces in China are not competing so hard to attract investments. Sunil Mehta offered a counterpoint saying that states like West Bengal, Gujarat,

Orissa, Andhra Pradesh, Tamil Nadu and others have pro-actively competed for foreign investments.

Tarun Das, Chief Mentor, CII, indicated that there is immense potential that needs to be tapped if India is to become a true global player. He observed that since it is a long-haul arena with long-term focus required, Indian businesses must learn to respect other cultures without imposing Indian ways and 'balance entrepreneurship with caution' while identifying different ways to handle different people/markets.

Expansion of the Manufacturing Sector

The service sector is a key contributor to India's high growth rate, but experts believe that for sustainable growth, India would have to focus as much attention on improving manufacturing and agricultural sector output. Clyde Prestowitz emphasized that India needed to do with manufacturing what it has done for technology.

Citing that India is going to be the largest producer of automobile parts, Tarun Das affirmed that even the mass-manufacturing segment has the opportunity to boom. While this was previously an area of concern due to the government's restrictive policies, he thought this position is gradually changing.

Sanjay Nayar, CEO-India, Citigroup, Inc. shared his insights on what his banking clients are seeking. India currently offers labor cost advantage and project development-skill based work. For banks, this scenario has meant that the cost of equity and debt are reasonable.

In the case of SMEs, even smaller players that formed only a part of the earlier supply chain are now coming up on their own. They are entering into JVs and creating integrative models with foreign players.

Agricultural Sector

Discussing the agricultural sector, Dr. Montek Sing Ahluwalia underlined the need to fast-track a second green revolution in the country with active private participation. “Modernisation of agriculture is a high priority for the government,” he said, adding that the private sector has an established role in the areas of agri-marketing, crop diversification programmes, post-harvest technologies and food processing.

He said that while the government played a key role in taking the country to a food surplus stage, private participation would be necessary to link the farmer to changing market realities. The economist went on to say that the growing success of contract farming in various states points to the business potentials of private sector roles in this sector. He added that farmers today require access to a modern logistics chain and key market information, which corporate organisations are well-equipped to provide.

Rural Development

On the social plank, Ashwani Kumar, Minister of State for Industry, Government of India, said the ‘National Rural Employment Guarantee’ scheme was the only one of its kind in the world. Guaranteeing legally-enforceable employment rights to millions of people is a revolutionary step.

He said that while the government will channel around Rs 25,000 crore for implementing the scheme over the coming 6-7 years, this would not lead to any fiscal imbalances as the government has successfully reined in fiscal deficits to 7.7 percent of GDP, compared to 10 percent of GDP a few years ago.

Biotech Boom

The biotech industry, in many ways, typifies India's rise in the technological sphere despite persistence challenges. Kiran Mazumdar-Shaw, Chairperson and Managing Director, Biocon Limited, said that broadening the regulatory framework, refocusing policies to meet global competition and creating a sound patent regime are some of the key challenges confronting the Indian biotech industry.

Mazumdar-Shaw talked of India's ability to become the development laboratory of the world in an era of rising R&D costs. While India can position itself as a development hub due to the high cost of innovation, timely execution of reforms will provide huge value for India.

She indicated that even though fast enrollments happen for clinical and pre-clinical trials, the decision making process is slow in India. This can only be resolved through governmental intervention. She raised doubts about the manner in which the proposed policies are currently being executed.

India's Entertainment Industry: Bollywood's Boom

For decades, Indian movies have found niche audiences in different parts of the world, yet the industry that produces an average 800 movies a year makes a mere 2 percent of the revenues grossed by Hollywood. Ronnie Screwvala, CEO, UTV Software Communications Ltd, attributes this to the limited resources that Indian film-makers make available for marketing their movies.

Speaking on 'Bollywood's Boom, a Globalization of Culture', Screwvala said that Bollywood movies are made with limited budgets of about US\$1.5 million whereas an average Hollywood movie costs US\$50-60 million. That being the case, most Indian productions fail to measure up to

international quality benchmarks and Indian film-makers have had to confine their marketing to the domestic sphere, he said.

Michelle Guthrie, CEO, STAR Group Ltd, said that Bollywood film-makers would have to identify multiple revenue streams to be able to scale up their operations. She predicted that higher budgeted and better quality films will find new international markets.

Screwvala added that new media technologies alone could bring the industry an additional 10-15 percent in earnings per film. He reiterated that domestic film-makers would have to channel more resources for marketing their films more aggressively.

Guthrie said that mobile telephony is one medium that offers huge revenue potentials for the Asian movie industry.

Smriti Mundhra, Producer, Drops Entertainment, and Producer of the successful Indian film 'Waterborne', said the use of new media will encourage film-makers to provide content that is customized to individual viewers. "Customized delivery of content is the future," she asserted.

She also pointed out that the use of new media for distribution will improve viewer access, and if the cost of delivery can be kept reasonable, customers are less likely to opt for pirated versions that may cost fractionally less. Reasonable pricing, in her view, is the best way to tackle piracy worldwide.

India is also becoming a hub for post-production activities, particularly in the sphere of animation. Kristin Dornig, Co-Creative Director and CEO, Prana Studios Pvt Ltd, brought up India's potential to serve as a key back-office for Hollywood productions. However, she preferred to play down the

hype that a large pool of qualified manpower is available in this stream. “The challenge is to find people who can deliver international quality work at a reasonable cost,” she said, adding that there is also a need to nurture the talents of those who can tell stories that will find an international audience.

INDIA’S ENGAGEMENT WITH ASIA

For most of 20th century, India’s economic engagements were heavily skewed towards the West. But the turn of the century has brought about a realignment of trade and investment patterns. The ‘Look East’ policy that India talked about for decades has gained traction. The Prime Minister himself said in his opening remarks, “I have always viewed India’s destiny as being inter-linked with that of Asia and more so South East Asia. Our trade with Asia has increased exponentially in the past decade. Today, the East Asian community of nations has overtaken Europe and the Americas as the largest bloc among our trading partners.”

Ashwani Kumar in his keynote address also said that India’s ‘Look East’ policy is aligned to the development of an Asian economic community. Underlining India’s focus on the “arc of prosperity”, he said the government was taking strident steps to enter into free trade agreements with East and South East Asian nations, such as, Japan, Korea and Malaysia. Moves are also afoot to enter into a regional trading agreement with China.

India-China partnership

Evidence of a growing China-India nexus was perhaps most evident in the attendance of close to 200 senior business leaders from China. Chinese Commerce Minister Bo Xilai, in his keynote remarks to the conference, underlined the need for closer cooperation between the two countries, saying that China could learn from Indian experiences in the areas of

information technology and software development, education, services sector development, and the like, even as India seeks to benchmark China's achievements in infrastructure development.

Citing the six-fold growth in Sino-India trade, reaching US\$18.7 billion in 2005, Minister Bo said closer cooperation between the two countries will set the tone for the beginning of the Asian century.

The minister maintained that China does not enjoy cutting edge in the manufacturing sector and said the country will continue to learn the best practices in the area from other countries, including India.

He underscored India's economic growth in recent years and said the country enjoys two distinct advantages compared to China, namely, familiarity with the English language and a growing population where a two-child norm is being followed, unlike the one-child norm in China.

In a similar vein, Indian and Chinese business leaders at the conference talked about the zone of comfort that professionals enjoy working in the two countries. Anand Mahindra, Vice Chairman and Managing Director, Mahindra & Mahindra Ltd said he found Indian professionals increasingly keen to work in China. Sharing his experiences of acquiring a Chinese company and its successful integration into the global operations, he explained that his expatriate team faced no cultural problems at all. 'The Chinese have a sense of humor, are fun loving, just like the Indians are,' he informed, adding that he found the Chinese workforce extremely time and resource oriented.

Corroborating his stance, Pramod Bhasin, President and CEO, Genpact, summed up the position, "The rivalry is a media hype more than anything else."

Sharing his India experience, Hou Weigui, Chairman, ZTE Corporation, said he found Indians to be diligent and especially strong in grasping cutting-edge technology. Backing up his comment, he cited revenue generation of \$450 million over the year in his company's India operations. "We are working in 100 countries but the growth has been fastest in India."

William Overholt, Director, RAND Corporation, saw both countries as poised for success. In his opinion, it is imperative to consider India and China if any conglomerate wants to be successful.

Moderating the discussion, James L. McGregor, Founding Partner, BlackInc China LLC, felt that the two countries needed to look beyond each others flaws and to stop being either dismissive of each other or hectoring each other. Citing the instance of the Google office, he quipped, "If there is any one place Indians and Chinese work together, it is in the United States of America."

Ronnie Chan, Chairman, Hang Lung Group Limited and Vice Chairman, Asia Society, observed, "India's problem is politics, not economics. Are electoral issues likely to stem the growth process? That is what is to be seen...The thing the world needs to avoid is the doctor that is prescribing medicine without knowing the patient. In this case, the doctor is Uncle Sam," he quipped.

India-Pakistan Relations

Indo-Pak relations are showing visible signs of improvement although lack of adequate bilateral trade and investment engagements has stymied much of the potential progress. Speaking at the conference, Ishrat Husain, Former Governor, State Bank of Pakistan, said that India-Pakistan trade

has the potential to reach the US\$5 billion mark if India were to bring down its 'tariff levels and non-tariff barriers'.

He said that both Pakistan and India would benefit if the gap pipeline project comes through but added that several factors were responsible for delaying the project. As of now, there are three points of supply, namely, Iran, Qatar and Turkmenistan.

He said that in terms of bilateral economic exchanges, in a freer regime, India would gain access to Pakistan's raw material sources, while Pakistan could gain access to India's large market for its merchandise goods.

Husain felt that Indian IT companies could leverage the labour cost advantage that Pakistan offers to provide cost-effective software solutions to the world.

ASIAN ECONOMIC INTEGRATION

Asian nations of all hues are identifying the new ways to increase regional economic engagements. In this context, Kishore Mahbubani, Dean, Lee Kuan Yew School of Public policy, NUS, Singapore, and author of *Can Asians Think?* reminded delegates that the world geopolitical situation was rapidly changing. He felt that India and China need to begin to think of themselves as the guardians of globalization as opposed to merely beneficiaries.

Opportunities

Minister Bo Xilai also highlighted the need for closer integration of Asian nations. He cited the growing economic links between China and Asia, wherein China has become the largest market for Korea, the second largest market for Japan, the third largest for India, Thailand and the

Philippines, the fourth largest for Indonesia and Malaysia, and the fifth largest for Singapore.

Speaking on the subject, Michael Yeoh, CEO, Asian Strategy and Leadership Institute (ASLI), Malaysia, said that an Asian triangle is in the making, with India, Asean, and China and Japan, providing three different dimensions. He said the triangle will have major economic implications for the rest of Asia. Asian regionalism will be a sum of numerous bilateral economic partnerships and that business will have to play a catalytic role in forging strong economic ties between Asian nations. C Raja Mohan, Strategic Affairs Editor, *Indian Express* added, "Governments should only be facilitators in the process,"

Yatsutoshi Nishimura, mentioned that Japan was entering into EPAs and FTAs with other Asian nations to build economic partnerships within the region.

Speaking on the future challenges for the Japanese economy and its pre-eminence in the Asian region, Tharman Shanmugaratnam, Minister for Education, Singapore, and Former Managing Director, Monetary Authority of Singapore, said the East Asian nation is constrained by the fact that 23 percent of its workforce continues to be engaged in the manufacturing sector (compared to 11 percent in the US).

He said that Japan would have to move its manufacturing activities to the neighbouring region to improve its own productivity levels, which would present FDI opportunities for countries like India. "Several Japanese manufacturers have already moved their operations to China but some of them might want to shift a few of their operations to other countries to mitigate the risks of concentrating in a single country," he said.

Key Barriers

Regional economic integration is a moving force in Asia, but nationalism continues to be a powerful force in the region, said C. Raja Mohan. As moderator of the session on 'Regional Economic Cooperation: Asia's Renewed Focus on Intra-Regional Business and Trade', he brought forth two competing viewpoints: (i) that there is increasing recognition among Asian nations of the benefits of regional economic integration; (ii) that issues such as competing nationalism, disagreement on what constitutes Asia, and who should be leading the region, are impeding effective regional economic integration.

At a broad level, Minister Tharman Shanmugaratnam said any effort to form an Asian Union on the lines of the European Union is a "useful vision" but the pre-conditions for that are a lot different from those prevalent in Europe. For instance, most of Europe came together following the second World War, while such an experience was not shared by Asia. Furthermore, people in Europe enjoy similar standards of living unlike in Asia where there are acute economic disparities. Predicting that Asian nations might be less willing to give up their autonomy in determining their economic, fiscal and monetary policies, he said an Asian Union looks to be fairly distant.

HIV/AIDS: A GLOBAL THREAT

A special session examined the threat of HIV/AIDS in the Asian region, and in India in particular. Malini Thadani, Chairperson, CSR Committee, Bombay Chamber of Commerce and Industry, emphasized that India has the second largest population of people having HIV/AIDS in the world today. Of the 1 percent population of 5.7 million HIV/AIDS patients identified by 2005, about an equal incidence is between men and women.

Manisha Girotra, Chairperson, India, UBS, and Sujatha Rao, Additional Secretary and Director General, National AIDS Control Organization, represented private sector and government perspectives respectively.

While China has already asked multinational corporations to provide HIV/AIDS related information to employees, even a basic law to safeguard patients does not exist in India. Some panelists felt that this was because at a policy as well as personal level, India is a country that is still in denial of the impact of this disease. However, it has become crucial for organizations to address the issue on a dual level.

- Safeguarding the workforce: Employees, especially in industries having a very young personnel profile, or those that fall in the high-risk category, must be provided education and support for both prevention of the disease and its care.
- Safeguarding sustainability: India's young population is especially susceptible from HIV/AIDS. The active population, that can be the growth driver for enterprise, is increasingly at risk.

Preventive education has been the focus for policymakers; however, there is inadequate provision of training to address and effectively deal with the problem on multiple levels. The panelists indicated that private sector hospitals are known to routinely deny care to HIV/AIDS patients. Panelists lamented that in a country where an average of 7 million injections are given annually, 65 percent of the needles are still being re-used.

CONCLUSION

The 16th Asian Corporate Conference provided an opportunity for close to 1,200 delegates from 25 countries to interact closely over three days, and explore potential areas for economic and business cooperation. In light of India's aspiration to convert the city of Mumbai into Asia's financial hub,

Mumbai was a particularly appropriate venue for the event, and will also be the home for Asia Society's new India Centre, which will play a catalytic role in taking India to the world.