

New Age guru peps up India story believers



"When you were five years old, you were happy nearly all the time. Somebody had to make you unhappy. Now you are 30-plus and have achieved your dreams, and you are unhappy all the time. Somebody has to make you happy."

Delegates at the India Economic Summit laughed nervously. There was a good dose of "interiority" and "well-being" in New Age guru Jaggi Vasudev's talk, but that was about the only time the net-working classes paused to draw breath – literally, with their palms upward on their laps – during two and a half days of confabulation.

There were 720 delegates at this year's World Economic Forum event in New Delhi, and the largest contingent yet of overseas company chief executive officers, a sign that the world is really taking India seriously. Although there was a lot of talk about supply-chain efficiency, the coming retail revolution, and rural development, there was also hand-wringing about the 'slowness of change.

As is usual at these annual talk-fests, panelists spoke passionately about a host of subjects ranging from "The Opportunities of Smart Growth" to "Can India run without water?" The risks to India's success are clear. Loss of freshwater resources, oil price peaks, the wrong sort of globalisation, climate change, and HIV/AIDS and tuberculosis – and the challenge of demographics. (Sonia Gandhi put it succinctly: "While the world faces old-age problems, India faces age-old problems.") Equally clear are the exciting changes under way, from the reforms on in Bihar to the dramatic empowerment of women and children in bonded labour in Tamil Nadu.

Finding the right fellow travellers

Bus rides to and from large conferences can be hugely educational, if you happen to be sitting beside interesting people. On the way to Seven Race Course Road on Sunday to hear the prime minister tell WEF delegates that "Inclusive growth is not a buzzword" and then host a charming garden tea party, Pakistan's Minister of State for Finance Omar Ayub Khan (the general's grandson) talked about the pace of reforms in his country. It is a pity that the former Citibanker

later said trade between the nuclear-armed neighbours would not go up until the Kashmir issue was resolved. At no point since Independence have the two countries had such a good opportunity to put their economic relationship right – both prime ministers are technocrats.

NOTES & MUSINGS

Chaitanya Kalbag



Sunil Bharti Mittal (R) with Member of Parliament Jyotiraditya Scindia at the India Economic Summit.

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On the return journey, Dr Gene Huang, Chief Economist with FedEx Corp, rattled off numbers that prove that the Memphis-based giant is the world's only true multinational. It has 270,000 employees in 220 countries including Iraq and Afghanistan. The acknowledged masters of the just-in-time supply chain concept sent shivers through the aviation industry earlier this month when they cancelled their order for ten Airbus A380 super-jumbos and switched to Boeing 777s. Huang said FedEx has the largest aircraft fleet in the world – 700 wide-bodied planes, bigger than any passenger airline by a mile. And on December 18 this year, the company that Fred Smith founded 35 years

ago will be handling ten million packages.

Supply-chain blues

Hans-Joachim Korber, CEO of German retail giant Metro Group, did a lot of talking during the summit on the supply chain, which he said was "totally underdeveloped". Farmers who want to get the best prices for their produce will need an efficient "cold chain" with refrigerated trucks, not a common sight on 40-degree Celsius roads in India.

Metro operates two "cash and carry" megastores in Bangalore and is planning to open new ones in Hyderabad and Kolkata soon. Cash and carry stores aim to slip through the cracks in India's regulations, which ban foreign participation in multiple-brand retailing. Korber said he estimates India's farmers waste 40 per cent of their produce between their farm gates and the consumer because of the fragmented supply chain.

"India could easily be the food factory of the world," he said. Seventy per cent of the Metro merchandise in Bangalore is food, and 60 per cent is fresh food. The stores sell three tonnes of fresh fish every day, and buy all their produce direct from farmers.

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Because of the inefficiencies of India's retail sector, Korber estimates, the average middle-class Indian spends 70 per cent of her budget on food and other essentials, compared with a low of 30 per cent in the United States.

There's one important catch in the cash and carry model, under which companies, or even the "endangered" mom-and-pop "kirana" stores that Mukesh Ambani spoke about, can buy their supplies in bulk from the likes of Metro — or Wal-Mart, which is tying up with Ambani's rival Sunil Bharti Mittal.

That catch is very important: the consumer does not really win any price benefits from all this supply-chain efficiency. Every item sold in India carries an "MRP" or maximum retail price sticker, so the cheaper goods that the retailer buys from Metro only result in bigger profits for the very mom-and-pop stores that claim to be

potential victims of the onslaught of the Wal-Marts and Metros.

Korber said it was "only a matter of time" before India matured beyond the MRP model and allowed brand pricing, like Tesco stores do in Britain.

Darkest hour before the dawn

Which brings us to Bihar, and the reforms launched just over a year ago by the Nitish Kumar government. N.K. Singh, Deputy Chairman of the Planning Commission for Bihar, painted a bright picture for the 82 million people — the size of Germany's population — who have been traditionally at the bottom of the UNDP human-development pyramid. Besides producing 80 per cent of India's lychees and 60 per cent of India's mangoes — and sending half of the 1.6 million patients who crowd the corridors of Delhi's All India Institute of Medical Sciences each year — Bihar

also plans to spend Rs 18,000 crore on roads over the next three years. It has scrapped its Urban Land Ceiling Act, sharply slashed stamp duties, and attracted \$6 billion in foreign investment. Half of that is in sugar, said Singh. Bihar is the only state in India where sugarcane grows on non-irrigated land. It has passed 30 pieces of investor-friendly legislation over the past year, and now has a single window for investors.

This begs the question — if so much is changing so quickly, why did nobody do anything about the Wretched State all these years?

Perhaps the Biharis, who N.K. Singh said could populate the new IT havens of the nation, have been listening to Wipro Chairman Azim Premji. "If we don't stay one step ahead of the Chinese," he told the conference earlier, "they will have us for lunch."

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