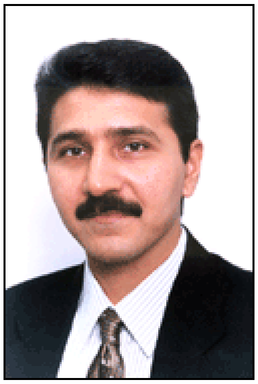

China: Opportunity or Threat for India Inc.?

An Interview with Mr. Jay Desai, CEO of Universal Consulting India Pvt. Ltd.

India Inc. has, of late, been more than a little bit apprehensive about the impact of cheap Chinese goods flooding the Indian market. This influx of Chinese goods is the result of a reduction in import tariffs and the removal of quantitative restrictions (QRs) by India, in accordance with World Trade Organisation (WTO) directives, which also rule out the option of raising import tariffs. How much India stands to gain or lose from China's product inroads remains to be seen. The need of the hour is for India Inc. to make the best of what it has. But how, is the big question?

"By applying Judo Principles in their business strategies," says Jay Desai, CEO of Universal Consulting, a Mumbai-based Management Consulting firm with the mission of providing affordable and quality management consulting to medium sized businesses. "Indian companies stand to benefit from applying such principles." This was infact clearly indicated in Universal's recent study, which analyses moves made by successful Indian companies based on the 'Judo Strategy' by Yoffie and Cusumano in The Harvard Business Review.

While endorsing the use of Judo Principles, such as flexibility and leveraging competitors' strengths to combat such a huge product influx and remain in the running, in a recent interview with NRIworld.com, Desai elaborated on the trade patterns followed by Indian companies, the impact of the same on the economy and the changes necessary for growth and competitiveness.

Can India emerge as a winner in the race with China?

Its not a question of winning against China, it is a question how India can leverage China to achieve its growth objective. India needs to make use of the right weapons (strategies). The reduction in import tariffs has added to the woes of Indian entrepreneurs. Signing the WTO agreement and the decision to honour the TRIPs compliant directives for intellectual property has worked in favour of China. This is likely to attract more Foreign Direct Investment (FDI) to China rather than to India, and currently the amount of FDI invested in India is a fraction of what China receives. But India still has an edge over China in the fields of education and software, which it could leverage.

Can you briefly explain the Judo Principles?

The primary Judo Principle is to use the opponents' strength to destabilise them. It is important to work with them; not against them. The first strategy is to make a rapid movement, i.e. moving up the value chain (move rapidly to uncontested ground to avoid head-on conflict.) It also calls for providing line extensions and more value added services in fields like IT consulting, systems integration, etc., where India has an edge over China.

The second such Principle is to be flexible and give way when attacked directly by a superior force. Instead of trying to compete directly, manufacturing companies can outsource their products from China. As a result, goods will be cheaper and of better quality and moreover, production costs would decrease.

The third Judo Principle would be to exploit and leverage China's strategic commitments and investments to India's advantage. Many Indian companies are buying a 20-30 per cent stakes in Chinese companies. This would facilitate the use of competitors' manufacturing facilities by Indian companies for their own products.

What trade patterns are followed by most Indian Companies?

Indian goods will always cost more than the Chinese finished goods, as the cost of raw materials is very high here. Rather than opt for moving up the value chain, which often appears futile, most entrepreneurs find it more feasible to work on the second and third principles of flexibility and outsourcing and setting up of operations in China.

Wouldn't major outsourcing create more unemployment and economic instability in the country?
The Judo Strategy does not necessarily lead to unemployment, but employers who do not follow these patterns will eventually create unemployment with their companies having to down shutters. The period of transition often results in some companies becoming extinct. In fact, 96 per cent of life that once existed on earth is now extinct!

Even China will not be spared the consequences. Signing the WTO agreement would definitely mean an increase in FDI for China, but it also means more transparency and rules, besides lower indirect and direct subsidies along with increased unemployment.

What do you have to say about the current status of Indian business?
Instability, trigged off by the recent Gujarat riots, Indo-Pak issues, recession and political volatility, has resulted in a major set back for the Indian economy. But I feel people investing with a long-term perspective will benefit more than those seeking short-term gains. Lastly, what changes do you feel are the changes needed for India to make a mark in the global market?

I strongly feel that India can achieve world-class capability, with a change in overall business and government policies. These policies have rendered entrepreneurs uncompetitive and if changed, more FDI could also be attracted. Concentrating on development of all the sectors in which India has an edge and working towards making them capital-intensive is one way to achieve the goal. Opening new operations in manufacturing and small-scale industries would also help to generate more employment. India desperately needs to change its domestic and international policies of trade to make a mark in the global market.

China has expanded its foreign trade in a big way over the last 20 years, to become the pre-eminent producer of labour-intensive products in the world. India can definitely learn some trade tricks from China. Now it's up to us Indians to tap the vast Chinese market and also seize the opportunity of sourcing key inputs from China at cheaper rates. Reducing costs, improving quality and timely help from the Government in terms of changes in trade policies would definitely help India on its way to global success.

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