

Indian Business History
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Lecture – 20
Contemporary Business Developments in India; India's Energy Diplomacy

Hello and welcome back to Indian Business History, I am Dr Vipul Dutta and this is lecture number 20. The title of this lecture is "Contemporary Business Developments in India" and while discussing and assessing some contemporary business developments, we will also combine this lecture with an examination of India's Energy Diplomacy.

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This is Week 8
• Week 8: Liberalization and Contemporary Business Trends
• Lecture 19: Liberalisation of the Indian Economy: 1990s
• Lecture 20: Business Developments in India; India's Energy Diplomacy (We are Here)
• Lecture 21: Indian Business History: Trends and Prospects

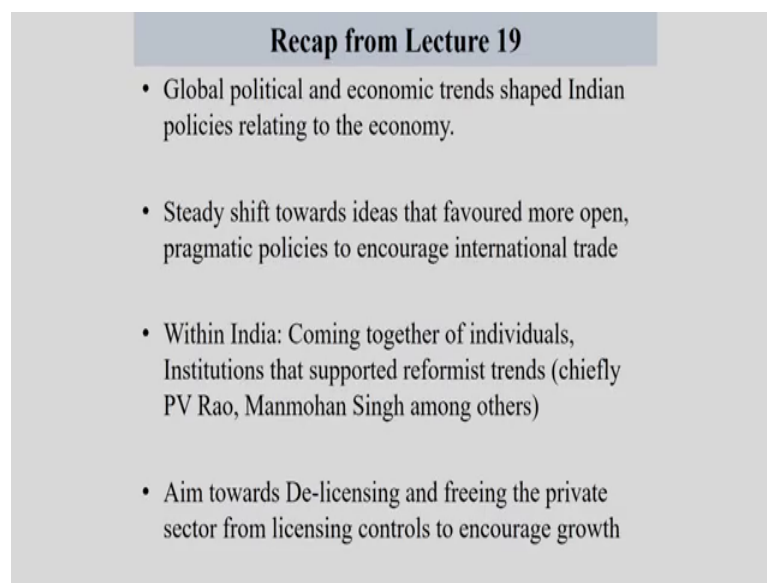
This is week 8 and the main theme of week 8 as you already know, is liberalization and contemporary business trends. So, chronologically we are moving further ahead and trying to analyse some of the present structures, ideas, institutions and individuals who are driving India's business developments further ahead.

Week 8 as you know comprises three lectures; lecture 19 was a discussion of the liberalization of the Indian economy during the 1990s; lecture 20 which is the present

lecture where we are, will be a discussion of India's energy diplomacy within the larger framework of contemporary business developments in India.

And lecture 21 will be a more overview and a more comprehensive survey of some of the important trends and prospects in the field of India's business history. To offer you a brief recap of what was discussed in the previous lecture which was lecture 19, we dealt with certain important themes in that lecture and those themes will be important to remember as we take our story forward to the contemporary times.

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A slide titled "Recap from Lecture 19" with a light blue header. The slide contains a bulleted list of four points. The background is a light gray color.

- Global political and economic trends shaped Indian policies relating to the economy.
- Steady shift towards ideas that favoured more open, pragmatic policies to encourage international trade
- Within India: Coming together of individuals, Institutions that supported reformist trends (chiefly PV Rao, Manmohan Singh among others)
- Aim towards De-licensing and freeing the private sector from licensing controls to encourage growth

So, some of the important takeaways from lecture 19 were as follows. Firstly, we discussed that global political and economic trends shaped Indian policies relating to the economy. When we began our previous lecture, I gave you a brief list of some of the key historical milestones that took place as far as international history of the 80s and 1990s is concerned.

A brief examination of the historical context in its international form is essential, because it gives us an idea of the interconnectedness of regional economies with global economies. So, India's tryst with economic liberalization in the 1990s becomes part of the larger framework in which more open liberal ideas took root and which facilitated the free movement of people and goods from one area to the other.

Secondly we also discussed that there was a steady shift towards ideas that favoured more open and pragmatic policies to encourage international trade. So, India's efforts to

undertake the restructuring of its economy in the 1990s was part of the larger movement of international ideas; whereby the movement of people, goods, ideas and services from one area to the other without undue interference was considered pragmatic and feasible.

Thirdly within India we discussed in the previous lecture that, there was a coming together of individuals and institutions that supported reformist trends. The chief individual responsible for undertaking these liberal reforms as far as India is concerned, were former Prime Minister Mister PV Narasimha Rao and the former Finance Minister Dr Manmohan Singh; who assembled a team and a group of ideas that held in almost influence over the ways in which new policies were drafted, so as to steer the course of the Indian economy forward in the 1990s.

Fourthly, we also discussed and analysed that the general aim of these structural reforms that were undertaken in the Indian economy during the 1990s, had a common aim. And that common aim was towards de licensing and freeing the private sector from extreme licensing controls in order to encourage growth.

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Recap from Lecture 19

- Swift, rapid measures taken to structurally reorganise the economy in the 1990s.
- New sectors of business operations respond to the reforms positively.
- Surge in foreign investment and collaboration in Indian business, commercial and financial activities.
- Focus on building an atmosphere for entrepreneurial growth and greater support for the private sector.

As part of our discussions of the economic liberal reforms of the 1990s; we discussed that there were swift rapid measures that were taken to structurally reorganize the economy in the 1990s. This structural reorganization was taken in a swift manner in order to address the emergency that was faced by the Indian state at that time.

There were new sectors of business operations that responded to these reforms positively; new industrial sectors came up, new business operations took root in the Indian economic and business landscape. And the general nature of the reforms proposed and implemented had a decisive impact on the ways in which economic, commercial and financial operations were undertaken in India after this period.

There was also a surge in foreign investment and collaboration in Indian business during this period and this collaboration and investment also had a decisive impact on the ways in which commercial and financial activities were henceforth going to be organized in India after the 1990 reforms. Overall therefore, there was a focus on building an atmosphere for entrepreneurial growth and greater support was being lent to the private sector.

This support was official; state backed and also manifested itself in different forms and structures. But the general aim or the guiding spirit behind these if reforms of the 1990s was to rescue the Indian economy from future emergencies; but also to invite the private sector and different forms of capital to take a more productive role in the carrying out of critical economic, commercial, financial and industrial operations in India.

For this lecture which is lecture 20 and which is going to be focused on the examination of some contemporary business trends in India, there will be three main focus themes. These three main focus themes will guide our discussion for this lecture and will also come across as important mapping points in order to chart some important trajectories of the ways in which new business formations took place in India and the nature of economic commercial and financial activities as a result of the reforms that were taken in the 1990s.

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Focus Themes for Lecture 20

- **Contemporary Business Trends: Features & Characteristics.**
- **Assessment of key global trends in business and economy.**
- **India's Energy & Economic Diplomacy: Challenges & Opportunities ahead.**

So, the first important focused theme for lecture 20 is; obviously, going to be a detailed discussion of some contemporary business trends in India. While discussing these contemporary business trends, we will outline certain important features of those trends. We will examine the new sectors that came up as a response to these structural economic reforms and we will also dwell at length on detailing some of the important characteristics of these business trends after the 1990s.

The second focus theme for lecture 20 will be an assessment of key global trends in business and economy. So, while we discuss the domestic trends in contemporary Indian business formations and economic and industrial activities; we will try and merge that discussion with a more globalized outlook of the ways in which the economy performed in the years after the 1990s. So, the global context will merge with the local context, in order to provide us with a more comprehensive survey of economic industrial and other associated activities in this period.

The third important focus theme of this lecture will be the examination and study of a concept known as India's energy and economic diplomacy. What this diplomacy stands for, what are its critical features and what is the impact of India's energy diplomacy on her international relations and foreign policy is something that we will examine during the course of this lecture. While discussing India's energy and economic diplomacy, we will also outline certain challenges and opportunities that lie ahead of India as far as diplomacy is concerned.

And we will assess the role that economic activities and business activities play in forging some of the critical relationships that India wants to see consolidated in the years to come. So, the impact of India's business history therefore, lies not just in the field of outlining or reconstructing some of the economic events of the past; Indian business history also holds the promise for shining a light on understanding certain associated activities that are integral to business, economic and commercial operations.

But the impact of those commercial and economic operations extend far beyond the confines of economics; but also have the potential to inform India's foreign policy, international relations and the general political nature of India's economic engagements.

(Refer Slide Time: 09:21)

Contemporary Business Trends in India

- Liberalisation transformed the Software Industry completely.
- Infosys: Founder NR Narayan Murthy
 - Launched in 1982
 - Faced hurdles in importing equipment
 - Takes off after the 1991 reforms
 - 1999: 1st Indian Co to be listed on US stock exchange

So, in order to begin with this lecture, I will spend some time in outlining some of the important contemporary business trends in India in the years after the 1990s. So, one of the foremost industries as you are already aware that responded creatively to the reforms of the 1990s was the taking off and consolidation and international expansion of the software industry in India.

Liberal reforms therefore when they were undertaken in 1990s, completely transformed the landscape and the context in which the software industry operated or was going to operate in the years to come. So, the year of 1991 and the events that took place in 1991, held enormous promise not just for the general character of the Indian economy and the way it was perceived internationally; but the reforms of 1991 crucially supported in the formation of an ecosystem in which critical new industries such as India's IT and software related industries could find a firm footing.

The chief example which symbolizes India's success in managing the software industry was or is Infosys; the founder of the Infosys group is Mister NR Narayan Murthy. Infosys was launched in 1982 and when it was launched in 1982, this as you can recall was a context in which licensing controls held sway over industrial manufacturing, over different aspects of economic activities in India at this point. So, the establishment of the software industry in the last part of the license raj regime, signified potential hurdles for this industry to take off successfully.

So, when Infosys was launched in 1982, it faced significant hurdles and importing equipment and also to navigate the gridlock of different regulations and licensing controls that were put in place to regulate and control economic activities. So, the birth of Infosys in India in the 1980s, was in the larger context of licensing regimes and regulatory frameworks that define almost every other aspect of economic, commercial and business activities in India. Crucially once the economic liberal reforms are undertaken in 1991 that becomes the tipping point for the fortunes of the Infosys group.

So, the management, economic, financial and institutional fortunes of Infosys take off after the 1991 reforms are put in place. And the general atmosphere created for fostering private entrepreneurial growth and for fostering critical economic sectors in order to put the country back on a prosperous path; meant that companies like Infosys which were

established a decade ago during the licensing control days could now have a sigh of relief and could undertake their critical operations in a more liberal, pragmatic and economically oriented atmosphere.

Almost 8 years after the economic liberal reforms are undertaken; Infosys becomes in the year 1999 the first Indian company to be listed on the US stock exchange. So, this was a deeply symbolic event which signified with the arrival of Indian entrepreneurial potential on the world scene.

So, the critical impact of the economic and structural reforms that were undertaken in 1991 was felt most deeply on the software industry. And to be more precise in the fortunes of the Infosys group which could operate in a more liberal and pragmatic environment; and could expand overseas in order to meet the demand for its products by becoming one of the largest employers in the private sector. So, the success of private firms like Infosys and their role in contribution in revolutionizing India's software industry owed the great deal to the economic reforms that were put in place in the 1990s.

The subsequent successes that were faced by other software companies in India can also be characterized as the demonstration effect of liberalization. Once the reforms were put in place in 1991 and once they had started to impact some of the management, economic and institutional strategies of certain businesses in a positive way; reflected chiefly in the case of Infosys which expanded considerably not just within India, but also internationally and was able to put itself on US stock exchange in 1999.

This early success of Infosys in the 1990s was also emulated by other software companies that came up in rapid succession in India.

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Demonstration Effect of Liberalisation

- The restructuring also provided scope for other software companies to emerge:
 - Wipro (Azim Premji)
 - Hindustan Computers Ltd (HCL; Shiv Nadar)
 - Satyam Computers
- **Development of Allied Industries:** BPOs, Online retail, e-commerce

So, the restructuring of the Indian economy also provided scope for other software companies to emerge in India. Four prominent examples are worthy of our attention as far as the software industry is concerned.

So, apart from Infosys which revolutionized the Indian presence as far as software industry is concerned; it was also paralleled by the simultaneous rise or the contemporaneous rise of certain other companies at this point. Chief amongst them was the emergence of Wipro; whose founder was Mister Azim Premji.

Wipro also undertakes significant software businesses not just within India, but also internationally and is also invested heavily in the pursuance of higher education and research. The second example of a software company also earning huge amounts of revenues and expanding considerably within India and abroad, based on the success of the software industry worldwide; at this point was Hindustan Computers Limited or commonly known by its abbreviation HCL.

The founder of HCL was Mister Shiv Nadar and just like Wipro and Infosys; the HCL Company also undertakes significant operations within the software business and other allied operations and also invests a part of its energy and capital in the pursuance of higher education and research. The other company that also took off during the software revolution as far as India is concerned, was the rise emergence of Satyam computers. This alongside Wipro and HCL and Infosys became one of the foremost symbols of the potential of India's software industry.

And the way they had started to negotiate and shape some of the important debates and ideas relating to the software industry on a global level. So, the demonstration effect of the liberal reforms of the 1990s was not just seen in the success and consolidation and expansion of Infosys; it was also witnessed in the ways in which it made available a platform for several other companies like Wipro and HCL to emerge and dominate the global markets of information and capital and information related technologies in the world at this point.

Just as the demonstration effect of the liberal reforms of 1990s was allowing several Indian software companies to emerge and dominate international and global markets. There was also a subsequent development of allied industries that were tied to the fortunes of the software revolution in India. So, the IT or information technology or software revolution

in India which gave rise to several Indian companies that became global icons or are still global icons.

This was also responsible for certain secondary and tertiary developments; whereby industries like BPOs, online retail and E commerce became enormously successful and influential. So, the success of the structural reforms and their impact on the software industry in India had the consequence of not just the institution overhauling of India's software industry and its expansion overseas.

It was also responsible in the development and mushrooming of certain allied industries such as BPO and online retail that were connected in one way or the other to the success and consolidation of the software industry. So, software related services, software related programs and algorithms became a uniquely Indian strength in the years after the economic liberal reforms were undertaken.

Some of the other new sectors of business operations that were increasingly visible in the years after the liberal reforms were taken. So, as far as chronology is concerned, we are focusing on our time from 1995 onwards until the new millennium. So, just as the economic liberal reforms had their immediate impact in the fortunes of the software industry and aviation; certain other sectors had also begun to catch up with the bandwagon of structural reforms and were beginning to invite domestic interest and also international interest in areas such as investment and professional management and training and operations.

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New sectors of Businesses

- Automobiles: Domestic Pioneers (TATA); International Collaboration
- Brand recognition
- Excellence in design and research internationally by Indian car makers
- Insurance and Automobile sector grow significantly after 1991: Symbiotic relationship

So, the new sectors of businesses that responded or came up as a result of the economic liberalization plan of the 1990s was witnessed in the automobile sector chiefly. The automobile sector became a symbol just like the software industry of the triumph of Indian entrepreneurial potential and the potential that India's business interests that Indian business history can play in informing and shaping some of the important debates relating to economics and commercial operations.

So, just as the software industry was becoming a symbol of Indian strength in software related services; the automobile sector was also witnessing its own revolution whereby the more pragmatic and liberal environment of international and domestic investment into the private sector made available a platform for domestic pioneers to emerge as far as the design, production and retail of Indian automobiles is concerned.

The Tata's were the early pioneers in developing new designs and prototypes of Indian automobiles. The products of Tata automobiles are a common sight on Indian roads today; but the immediate significance of the economic liberal reforms of the 1990s is seen most visibly in the production of Indian automobiles meant for Indian people and also subsequently meant for international export.

So, the arrival and consolidation of Indian players as far as the Indian automobile industry is concerned was a unique feature of this period. There was also significant international collaboration as far as the production and research facilities of the Indian automobile sector is concerned. So, while the Tata's became one of the early domestic pioneers as far as the

production of Indian cars is concerned; there was also a significant international collaboration on scientific and research inputs as far as production of cars in India is concerned after the liberal reforms of the 1990s.

These new sectors of business operations, commercial operations and economic activities became more common, became household names and became more globally recognized; because they invested a significant part of their energy and capital in brand recognition. So, the arrival of Tata's as pioneers in automobile production was the latest in their century long journey into coming up with scientific and research breakthroughs and try and set up new businesses not just for the benefit of the people, offer themselves; but also for the benefit of the regional contexts in which those businesses took shape.

So, while the early domestic pioneering activities of the Tata's in automobile production, was a unique feature of India's business history. It is not unsurprising; because in the course of our past lectures, we have seen how big businesses in India led and managed by Indian individuals or groups of Indian individuals were always at the cutting edge of trying to find new ways, strategies and breakthroughs in order to set up their businesses in a more wholesome and pan Indian manner.

So, the brand recognition of these new businesses led by the Tata's and other significant players in the Indian business landscape, was also a unique feature of India's business history, which made Indian business history also more international in these years. The other new sectors in this period were also related to the automobile sector. So, the emergence and consolidation of the insurance sector and its ability to attract not just private capital from within India, but also in wide significant economic collaboration from private players internationally; also signified the consolidation of the Indian insurance industry to new heights.

There was also the development of a symbiotic relationship between insurance and the automobile sector. So, as soon as the economic reforms were put in place in 1991, you see a parallel rise and consolidation of the relationship between the automobile sector and also the insurance sector.

There was also excellence in design and research internationally by Indian car makers. So, the products, technologies and the retail strategies pioneered by domestic car makers in India were also taken up as important case studies by international stakeholders almost in

every other part of the world. So, the unique successes of the economic liberal reforms of the 1991 and 1992 years lies inherently in unleashing a new context and a new ecosystem in which new bold ideas could germinate successfully and become leaders as far as global thought practices on economics and business is concerned.

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New Business Trends

- Telecom Sector: Rise of Indian multinationals (Bharti Enterprises: Sunil Mittal)
- Private healthcare facilities, Insurance
- Retail & Trade: Consolidation of franchise/chain based stores in India
- Pharmaceutical, Biotech: Piramal (Nicholas Piramal), Biocon (Kiran M Shaw) etc

Certain new business trends in addition to the ones I have just outlined were also witnessed in this period. So, the telecom sector for instance became one of the foremost sectors in India that benefited enormously from the structural reforms that were taken in 1991. The rise of Indian multinationals was intimately associated with the emergence and expansion of the Indian Telecom Sector.

And one of the chief examples of the success and growth, witnessed in the Telecom Sector in the year after 1991 was in sectors such as Bharati Enterprises which manages the Airtel company and which is led by Sunil Mittal. So, just as aviation, insurance and the automobile sector were witnessing creative changes within those sectors as a response to the economic liberalization plans of 1990s; the telecom sector too began to catch up pretty fast with other sectors in India at this point. So, the success of the telecom sector became synonymous with the success of the liberal reforms of 1991.

Private health care facilities also benefited enormously from the influx of international capital and the combination of international capital with domestic players as far as the healthcare industry is concerned. So, new hospitals, rendering critical super speciality

services to Indian citizens came up rapidly in this period. And the insurance sector, just as it was benefiting from the success of the automobile sector in the 1990s and later was also becoming tied intimately with the success and management strategies of the private healthcare industry at this point.

So, the liberal reforms of 1990s had an intersectoral influence as far as insurance, banking, automobile and the healthcare industry is concerned. The growth witnessed in one sector then became responsible for the growth that would be required for the development and expansion of the other sector. So, this twinning of different sectors in the Indian economy became a far more common feature in the years after the reforms were undertaken.

And this was responsible for the experiencing of certain new business sectors, whereby not just one sector witnessed enormous growth; but also witnessed growth alongside the development and growth of certain other sectors connected intimately with their own fortunes.

So, the insurance sector therefore, just like any other sector in India at this point witnessed a growth not just within its own institutions and networks; but also witnessed growth as a result of simultaneous expansion in the services of other sectors during this time. There was also an expansion of retail and trade facilities in India. So, the influx of foreign investment capital and the collaboration between Indian business leaders and international business operatives led to the consolidation of the franchise or chain base retail stores in India.

So, the coming up of prominent cloth or textile based chain stores in India revolutionized the retail landscape of the country in the years after 1991. There were also significant breakthroughs achieved in certain other connected sectors and the chief sectors amongst that paradigm was the area of pharmaceutical and biotechnology related services. Chief amongst them were the Piramal foundation led by Nicholas Piramal continues to even this day and is one of the most affluent and influential sectors as far as the pharmaceutical sector is concerned.

The pharmaceutical sector like automobiles, aviation, insurance and banking also responded creatively and positively to those reforms and witnessed an enormous growth

in its revenue and in its capability to deliver to a wide variety of clientele not just within India, but also internationally.

Another successful example of biotechnology and the way in which this sector was revolutionized by the 1991 structural reforms is the company called Biocon. It is founded and led by Miss Kiran Mazumdar Shaw and Piramal and Biocon are one of the foremost examples in the way in which scientific, pharmaceutical and biotechnology related research is in be growing from strength to strength. But the origins of the establishment and consolidation of these industries dates back to the structural reforms of 1991.

There are a few reasons that are responsible for these new business sectors taking off. Apart from the obvious reason which is the state led economic liberal reforms of 1991, which de license certain sectors and made investment of far more easier affair; there were certain underlying important reasons that made economic liberalization a success story in the first place.

So, the first reason that is responsible critically for the emergence and expansion of these new kinds of businesses ranging from automobile to insurance and from aviation to biotechnology is sociological.

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Reasons for New Business Sectors Taking off

- **Sociological:** Emergence of a new “middle class”, aspirational, globally oriented.
- **Political:** A new context which is pro-trade and focussed on de-licensing inhibitory regulatory controls.
- **Economic:** New supply chains, international collaboration promotes new sectors: Insurance, Banking etc.
- **Cultural:** Entrepreneurial growth seen with new eyes.

There was the emergence of a new middle class in India in the 1990s. This new middle class was aspirational, it was globally oriented and their wide variety of experiences felt

by the members of this new middle class; made available new kinds of demands on the Indian industry at this point. So, the different worldviews, different backgrounds, different demands and demands for new kinds of products, revolutionized the existing Indian industrial and company landscape at this point.

So, the reason as to why aviation companies, entertainment companies and new insurance and banking firms are coming up in a rapid succession at this point; is primarily because there is a distinctive class of consumers now present in India who are desirous of their services, who are desirous of their goods and commodities. And in order to fulfil that demand, new sectors experience a new wave of growth and this new wave of growth helps the emergence of new kinds of industries that could cater to the demand of this new middle class, its new aspirations and its demand for new kinds of goods and services.

So, these sociological reasons are important to understand the phenomenon in which new kinds of businesses emerge, consolidate and expand not just within India, but also abroad. The next set of reasons are related to politics and political economy. So, a new context emerges after 1991, which is pro trade and focused on de licensing inhibitory regulatory controls in this period.

So, apart from sociological reasons, whereby a new middle class is emerging and demanding new products and services which becomes the platform for new businesses to be launched; there are obvious political reasons that lay the foundation for these new industries and new companies to emerge and which allow them to operate and offer their services in a more robust manner.

Of course, there are distinctive economic reasons that play, which make these new business sectors take off at a rapid pace and also consolidate themselves more comprehensively. So, as part of the economic reasons that can help us explain these new business trends; you have the emergence of new supply chains, you have international collaboration that promotes new sectors.

So, insurance and banking are the chief sectors in India that benefit immensely from this international collaboration of private domestic Indian capital and its combination with different forms of international entrepreneurial supply chains and capital. So, once investment from international shores becomes a practical reality in India; the

transformation of the Indian business landscape becomes tied to the nature and potential of the international investment coming into Indian shores.

So, the reason as to why new business sectors and new business operations take off almost instantly after the economic liberal reforms are undertaken; is primarily because of the availability of a new generation of Indian consumers. And also because new investment paradigms are reshaping and re-informing the ways in which Indian business was to be conducted from now on.

There are also cultural reasons that are responsible for new business sectors emerging in India. And one of the chief cultural metaphors of this period is the fact that entrepreneurial growth, entrepreneurs, industry leaders, businessmen and business women are seen in new light. A successful business venture is seen as the success of individual potential, as the success of the individual spirit in transforming not just his individual conditions; but also transforming the lives of people who get to be employed in these new sectors.

So, just as the Indian state after 1947 had undertaken significant responsibilities in order to provide the Indian economy with a planning cycle; so as to reorganize India's economic affairs according to 5 year cycles and provide meaningful livelihood to its citizens. The private sector after the 1991 was also being increasingly looked at by certain people of providing large scale employment to certain people, transform their lives. And in the midst of their transformation not just earn an income for themselves; but also render critical services and deliver critical goods to the people in the country.

So, the rise in consolidation of private capital and its role in making entrepreneurs as leaders in their own respective fields and leaders in their own right was critically responsible for the reshaping of the lens through which entrepreneurship was to be seen in India. And this reorientation in the outlook and perception of entrepreneurial leaders and entrepreneurial activities was also critically responsible in making new business sectors take off instantly consolidate and expand overseas.

So, there are important sociological, political, economic and cultural reasons that were responsible for the emergence of new business sectors in India and were also responsible for the success that these new business sectors faced in their operations in India and abroad.

(Refer Slide Time: 34:57)



Indian Economic Diplomacy

- Rising fortunes of India's business operations:
 - Provides large scale employment
 - Augments national income
 - Projects stable, pro-business, liberal image abroad
 - **Becomes instrument to establish robust bilateral, multilateral relationships**

- **Economic Diplomacy:** Embarking on constructing or consolidating external/ foreign relations through economic structures and institutions.

I want to now move on to the next section of this lecture which will deal with the elements, characteristics and features of India's economic diplomacy. But firstly I want to outline certain important features of what the rising fortunes of India's business operations mean for India domestically and the important role they can play for projecting India's image across global multilateral platforms.

So, the rising fortunes of India's business operations as was increasingly detected after the implementation of the economic liberal reforms of 1991 were responsible in the following features. The greatest success of different private business operations in India was responsible for their enormous success in revenue earning capacities; but crucially the rising fortunes of India's business operations meant that these new companies, new industries and new entrepreneurship platforms could also provide large scale employment.

Secondly, the rising fortunes of India's business activities is not just an increase in the pay packets of the people invested in those business operations; but also means the significant augmentation of the national income of the country in question. So, in India for instance; after the implementation of the economic liberalization plans, you see the rapid consolidation and expansion of some of the critical industries in the private sectors.

They become receptive to a greater amount of influx of international capital; certain domestic private capital is also invested in the formation of new companies. So, this great turnaround in the economic affairs of the country after the 1990s was seen as an event that

was favourable for augmenting the country's national income from economic, commercial, financial and industrial operations in this period.

Thirdly the success of India's private business operations or the success of India's economic activities also contributes towards projecting a stable, pro-business and liberal image abroad. As we have discussed in the previous lectures, the development of an international context that favoured the free movement of ideas, institutions, people, goods and services from one region to the other; became a dominant paradigm for countries like India to also undertake comprehensive reforms in order to make their economy more globally competitive and oriented towards international flows of networks and capital.

So, the rising turnover of the profits and the increasing incidence of economic activities within India and in India's engagements with different markets abroad also contributed towards the reorientation of a new image for India. Thus keeping in mind these three elements, it then becomes an instrument to establish robust bilateral and multilateral relationships that India wants to embark on.

The success of business operations, the ease with which economic activities can be conducted in a country, the ease with which international investment can join hands with private investment in order to make new companies available for a rising new middle class. All these incidents of the rising economic activities and the frequency with which commercial and industrial activities take place within a country; becomes a mirror to map and assess the countries establishment of relationships with other partner countries and also the countries engagements with global platforms like the United Nations and the European Union.

So, increasingly now and in the years to come, diplomacy conducted by different states including India will be measured not just against the achievement of significant, political and development related goals; but diplomacy will also be carried out keeping in mind certain economic and trade based priorities. So, India's economic diplomacy which includes energy diplomacy something that we will discuss in the next few moments; is intimately tied to the ways in which India's business history has rolled out in the years since 1947.

So, the rising fortunes of India's business operations is good news not just for their personal or institutional fortunes; it also becomes a critical sector through which

diplomacy or energy diplomacy could be carried out successfully and which then becomes responsible for the ways in which India is perceived internationally by other countries concerned.

So, what exactly is economic diplomacy? Economic diplomacy is basically a set of policy proposals, guidelines, regulations or international events and steps that countries like India or any other country that they take while embarking on constructing or consolidating external or foreign relations through economic structures and institutions. Economic diplomacy is essentially a prism through which countries like India embark on constructing or reorient their bilateral or multilateral relationships with different countries in the world today.

Diplomacy in its original historical sense initially represented the exchange of political information from stakeholder to the other, in order to achieve desired outcomes. But increasingly so in the years after 1991 reforms, India's economic diplomacy has become a significant arm through which India projects its image internationally through the prism of economic cooperation, economic management and instruments of economic and business led forces.

There are a few important features of economic diplomacy and as far as the Indian context is concerned some of the features that we discussed in this lecture, also hold true for the ways in which economic diplomacy is conducted by several other countries in the world today.

(Refer Slide Time: 41:19)



Features of Economic Diplomacy

- Builds on ongoing economic, commercial, business prosperity.
- Potential to transform, re-evaluate existing bilateral/multilateral engagements through the prism of economic engagement and co-operation.
- Inter-state cooperation on social programmes of rehabilitation, infrastructure development fosters peaceful world order.
- People to people contact through economic partnerships ushers in development oriented national and international goals.

The first feature of economic diplomacy is that, economic diplomacy builds on ongoing economic, commercial and business prosperity that citizens within a particular country face. So, the rising tide of economic activities in India and the coming up of new business sectors in India after 1991, become not just household names as far as successful businesses are concerned; they also become symbols of the potential and success of the ways in which the Indian state made available a context for those sectors to grow and expand overseas.

So, Indian economic diplomacy in that sense, builds on the existing ongoing economic, commercial and business strengths of particular sectors within India's economic and business landscape. Economic diplomacy also bears the potential to transform or re-evaluate existing bilateral or multilateral engagements through the prism of economic engagement and co-operation.

The ways and strategies that country is employed today to engage with their neighbouring countries of far off countries through primarily the context of economic management and cooperation; defines the way in which economic diplomacy can transform the relationships between those countries. So, economic diplomacy has enormous potential to transform the existing relations between different countries including India.

Another feature of economic diplomacy is interstate cooperation on social programs of rehabilitation, infrastructure development and these economic cooperative exercises on the

development of infrastructure and rehabilitation can foster a more peaceful order. When countries come together to help each other economically and pool together resources in order to alleviate suffering or to rehabilitate a section of humanity in different countries; it makes for a more constructive engagement between different countries.

So, economic diplomacy deployed through cooperative strategies has the potential to unleash a more peaceful world order today. Fourthly people to people contact through economic partnerships also assures in development oriented national and international goals.

The coming together of two countries or groups of countries in order to shape or provide new goals for development of their citizens; fosters the contact of different people, of different cultures and the coming together of different kinds of people and different cultures in order to share a common economic vision of self-sufficiency, prosperity and stability also becomes a crucial mandate for the ways in which countries like India deploy instruments of economic diplomacy.

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Indian Economic Diplomacy: Key features

- Economic partnership and co-operation with different countries
- Multi-million dollar worth of trade with China, US etc.
- “Make in India” Program: Undertaken to promote manufacturing & investment in India.
- Diversified trade portfolio with key advanced economies; Japan (Infrastructure); Israel (Defence) etc.
- Comprehensive economic assistance programmes to countries in Africa, Southeast Asia, Central Asia

Certain other key features of Indian economic diplomacy are as follows; India today embarks on different forms of economic partnerships and co-operation with different countries. These countries range from North America to Africa to Southeast Asia and Central Asia. So, India’s economic diplomacy is a successful outreach program in the way

in which Indian leaders approach the leaders of different countries in order to provide solutions for some common economic challenges.

India's economic diplomacy has made it possible to undertake multimillion dollar worth of trade deals with China and the United States. The strength of India's economy and the strength of its institutions in embarking these multilateral trade agreements is responsible for the ways in which Indian economic diplomacy is seen and operated through different prisms; thereby projecting the image of a strong, stable and pro trade and pro-business India.

A critical example of the ways in which Indian economic diplomacy works abroad is through programs such as the make in India program, which has been undertaken to promote manufacturing and investment in India. So, the efforts of the Indian state to attract international investment in order to produce goods and services indigenously and domestically within India, is a crucial element of India's economic diplomacy.

Indian economic diplomacy also operates across a multifaceted field and also has a diversified trade portfolio through which it engages with different stakeholders. So, a diversified trade portfolio is in place with some of the key advanced economies of this period. So, whether it is Japan through which India conducts its economic relations on sectors such as infrastructure or whether it is Israel through which India has managed to establish a credible and robust relationship relating to the defence sector.

India's economic diplomacy operates in a multi sectoral field and engages with different countries based on their sectoral strengths. In addition to multi-million dollar worth trade deals with some of the advanced economies of the world and in also establishing an independent economic partnership with countries like Japan and Israel. India as part of its economic diplomacy program also undertakes comprehensive economic assistance programs to countries in Africa, Southeast Asia and Central Asia.

This economic assistance program has different forms and manifests itself differently depending on the condition of the country concerned. So, whether it is a assistance to infrastructural development or whether it is assistance given to the consolidation of the education sector in a particular country or whether it is the provision of supplying critical training material to the cadre of different professionals in different countries. India's

economic diplomacy has travelled through different contexts and tries to engage with different countries based on the requirements.

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Indian Economic Diplomacy: Key features

- Success of key Indian Industries like automobiles, telecom has made India known internationally in economic and business circles as a hub for entrepreneurship & growth.
- Certain key Indian institutions play a critical role in enhancing India's diplomatic presence in the international community.
- Success of business ventures becomes a symbol for the success of the policies, ecosystems, governance and the public culture that fosters successful operations & attitudes.

So, the success of key Indian industries like automobiles and telecom have made India known internationally in economic and business circles as a hub for entrepreneurship and growth. So, apart from the bilateral and multilateral engagements that India undertakes as part of its economic diplomacy; the success of key Indian industries themselves becomes instruments through which economic diplomacy can be carried out unofficially.

The success of certain Indian business features and the global recognition accorded to certain Indian brands are success stories by themselves, which make India and its image internationally available to all kinds of markets, governments and stakeholders. So, the success of India's economic diplomacy is also dependent on the ways in which the success of certain business sectors are played out.

Certain key Indian institutions also play a critical role in enhancing India's diplomatic presence in the international community; just as Indian CEOs and economic and corporate leaders are making their mark in international markets of global finance. Certain Indian institutions emerged in India and also sustained by Indian managerial capital and talent are also making their significant contributions in furthering the interests of India's economic diplomacy.

The success therefore, of business ventures then becomes a symbol for the success of the policies, ecosystems, governance and the public culture that fosters successful operations and attitudes. The global expansion of Indian, retail, platforms and the global expansion of the Indian telecom sector or the Indian aviation sector or any other successful Indian enterprise that makes its presence felt internationally reflects on the success of the policies, ecosystem and the governance frameworks that makes those businesses possible in the first instance.

So, Indian economic diplomacy therefore, is a study not just of the ways in which India engages with different bilateral and multilateral platforms to further its economic interests and deepen the ties of economic cooperation. Indian economic diplomacy also to a certain critical extent relies on the success achieved by Indian business sectors themselves. And the global brand recognition that these Indian businesses receive for themselves also rubs off on the ways in which national and state based policies sustain their business operations in their term.

So, just as different businesses further the interests of India's economic diplomacy; there are certain key Indian institutions that have silently played their part in furthering the interests of India's energy diplomacy and also largely the interests of India's economic diplomacy.

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India's Energy Diplomacy

- Oil and Natural Gas Corporation: 1956
- Based on the **1956 Industrial Policy Resolution**: Oil Industry to be placed under state control.
- Largest oil and gas exploration & production company in India: State-owned ; "**Maharatna**" status.
- **Role**: Exploration, Production, Refining & Development of oil based and alternative sources of energy.

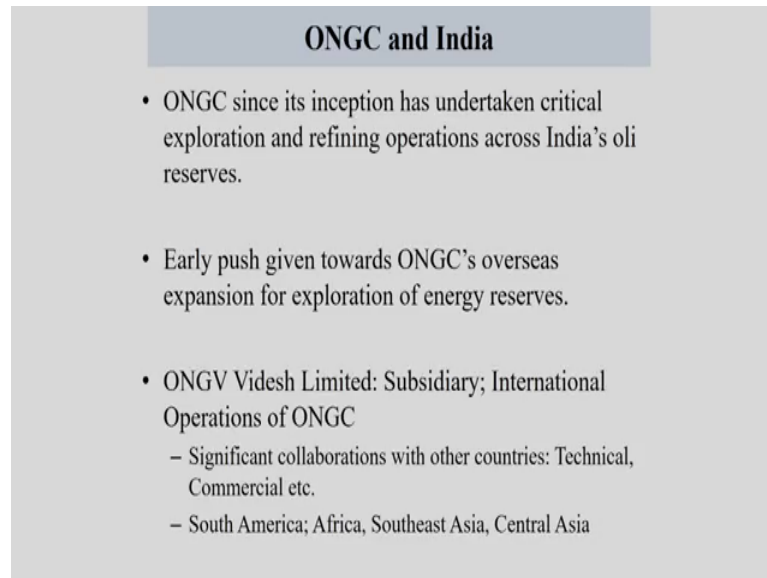
One important institution that has played a critical role in the ways in which India has been projected abroad as a hub for industrial and scientific activities is the role played by the oil and natural gas corporation or more commonly known by its abbreviated form as the ONGC. The oil and natural gas corporation or ONGC was established in 1956, this was a critical year for it to be established; because the emergence of the ONGC was based on the recommendations of the 1956 Industrial Policy Resolution.

As you may well recall, the 1956 industrial policy resolution was a path breaking document which laid out the context in which the state would take an active role in the running and management of certain critical public sector undertakings. So, as part of the general framework that was rolled out in 1956; the oil and natural gas corporation was seen as a critical industry in which the state needed to take an active role.

So, the oil industry when it was placed under national state control was the year in which the ONGC was established as a state held entity. The ONGC is one of the largest oil and gas exploration and production companies in India; it is state owned and it is also been awarded the Maharatna status. So, it is one of the key public sector undertakings in India today.

What is the role of the ONGC? Well the oil and natural gas corporation undertakes critical operations as far as the exploration, production, refining and development of oil based and alternative sources of energy is concerned. It is a critical public sector undertaking in India today and the strategic nature of its operations ensures that, the state takes an active role in its running management and also the activities that it undertakes abroad.

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ONGC and India

- ONGC since its inception has undertaken critical exploration and refining operations across India's oil reserves.
- Early push given towards ONGC's overseas expansion for exploration of energy reserves.
- ONGV Videsh Limited: Subsidiary; International Operations of ONGC
 - Significant collaborations with other countries: Technical, Commercial etc.
 - South America; Africa, Southeast Asia, Central Asia

Since it is inception, the oil and natural gas corporation has undertaken critical exploration and refining operations across India's oil reserves. So, the critical nature of its operations which is dealing in the production, exploring and refining of oil based resources is absolute. Oil based resources are needed not just for the automobile sector in India; but obviously, the products of the oil industry in India are also critically responsible for the successful functioning of certain other industries in India.

The primary nature of oil reserves and the primary nature of its use as fuel or as the driving component for industrial and manufacturing activities in other sectors makes the oil industry in India and also across the world as one of the most prized possessions of a particular country. So, the nature of operations that ONGC undertakes are inherently important and makes it a valuable partner on the country's road towards development and self-sufficiency.

Almost early on, as soon as the ONGC was established in 1956; an early state based push was given towards its overseas expansion for the exploration of energy reserves. As a part of the strategy to make the ONGC an internationally recognized brand in the exploration and processing of oil reserves; the ONGC Videsh Limited was established. This was a subsidiary of the ONGC and it was a dedicated international arm that could operate ONGC's overseas operations.

It had two significant features to it; the first feature was that ONGC Videsh Limited would undertake or undergo significant collaborations with other countries. These collaborations could be technical collaborations relating to the exploration and processing of oil reserves. And a part of that collaboration could also be commercial as far as the export and retail of oil products and oil derivatives is concerned.

ONGC Videsh Limited has a significant international presence, it operates or undertakes operations on behalf of countries in South America, in Africa; it also has presence in Southeast Asia and also has collaborations with countries in Central Asia. So, the massive early expansion given to ONGC and the development of the ONGC Videsh Limited as a subsidiary of ONGC contributed enormously to the internationalization of India's strength in oil exploration.

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ONGC and Indian Economic Diplomacy

- Multilateral engagements with other countries for the exploration, production and refining of oil and mineral based resources by ONGC.
- Highlights India's technological, scientific, and institutional strengths in carrying out critical oil exploration projects internationally.
- Symbol of national self reliance and international cooperation.
- Combines national responsibilities as PSU and international commitments on oil exploration by engaging with other countries.

How does the ONGC aid or extend off further the interests of India's economic diplomacy? Well firstly, multilateral engagements with other countries for the exploration, production and refining of oil and mineral based resources by ONGC is a critical component of India's energy and economic diplomacy. India's unique strengths, unique institutional strengths in exploring and producing oil based and mineral based resources makes it an international stakeholder, whose practices and technological know-how is of immense help for certain other countries.

Secondly, the relationship between ONGC and Indian economic diplomacy is highlighted in India's technological, scientific and institutional strengths in carrying out critical oil exploration projects internationally. Apart of ONGC Videsh Limited's international operations is conducting these critical services on behalf of certain states, who may not have the wherewithal or the infrastructure to carry out these tasks.

And the other aspect of ONGCs international operations is, entering into international collaborations to try and find and process new mineral deposits across the world. So, the ways in which ONGC extends the interests of India's energy diplomacy abroad is by highlighting Indian breakthroughs and strengths in this critical production center.

ONGC is also a symbol of national self-reliance and international cooperation. So, just as the years of the post-independence history in India are the years of national planning methods in order to make India self-reliant in certain industrial quarters. Contemporary years highlight the role that companies like ONGC play in outlining India's national self-sufficiency in these critical operations such as oil exploration.

ONGC is also a symbol of successful Indian economic diplomacy; because it combines national responsibilities as a key public sector undertaking and also its international commitments on oil exploration by engaging with other countries. By helping other countries discover, process and retail their oil reserves; ONGC highlights Indian contributions towards the development of a rules based international order and in which national talents can come together for the public good of the international community.

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A Sum Up

- Liberalisation of the Indian economy from 1990s unveils a new context for new businesses to emerge.
- New sectors of economic activities help support and encourage growth in other inter-connected sectors.
- Social, Political, Economic reasons behind the emergence of new business operations in India and their expansion overseas.
- Successful businesses help kick-start India's economic diplomacy seen in the case of ONGC.

I want to offer a sum up of what has been discussed in this lecture today; first liberalization of the Indian economy from 1990s unveils a new context for new businesses to emerge. So, just as the automobile sector takes off in the years after the 1991 reforms, you also see the development of certain allied industries related to the automobile sector. And you also see the subsequent parallel development of sectors such as banking and insurance during this period.

Certain other sectors like telecom and associated industries also take off; they expand brilliantly across international markets and become household names not just within India, but also abroad. The rising success of these Indian business ventures after the 1990s becomes an instrument through which the image of India gets reoriented in international markets and in the eyes of international stakeholders.

New sectors of economic activities then help support and encourage the growth in other interconnected sectors. So, the transformation witnessed in the development and consolidation of the software industry also helps develop, the production of certain allied industries which were tied or connected intimately to the IT sector. So, the development of online retail platforms, E-commerce and BPOs was a significant consequence of the development of the software industry.

Thirdly and most significantly there are clear social political economic reasons behind the emergence of new business operations in India, and their expansion overseas. The rise emergence and consolidation of a new middle class brings forth new demand for new kinds

of goods and services. This new demand becomes critically responsible for the coming up of new businesses in India. And the rising tide of the fortunes experienced by these new

businesses becomes a metaphor for the strength of India's entrepreneurial growth after the 1990s.

As far as political and economic reasons are concerned, the development and maintenance of new supply chains and the influx of new kinds of capital from overseas markets and from domestic markets makes available new kinds of industries to breathe and see their management and operations run successfully in this new climate.

So, the nature of investment changes and new kinds of businesses emerge and the products and services of these new kinds of businesses is being enjoyed by a new class and generation of consumers which contribute towards the making of a new middle class in India. So, not just political reasons or reasons relating to policy and policy intervention; but significant social, political, economic and also cultural reasons are responsible for the success of the new business ventures in India at this point.

The reorientation in the image of entrepreneurial leaders and the worth and weight given to private ventures or growth in the private sector as a responsible arm for augmenting the national income is seen as responsible for unleashing a new context in which new business ventures and growth is seen through different prisms.

Fourthly, successive businesses also helped kick start India's economic diplomacy seen chiefly through the operations and overseas expansion of ONGC and the way in which it extends the interests of India's energy diplomacy and highlights India's national self-sufficiency and institutional capabilities in undertaking critical operations such as oil exploration.

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In the Next Lecture...

- Lecture 21
- Indian Business History: Trends and Prospects

In the next lecture which is going to be lecture 21, we will discuss certain trends and prospects of the Indian business history and its overall more comprehensive framework.

Thank you.