

Kentucky World Trade Center Trip to India

By Joel DiGirolamo

Kentucky World Trade Center Delegation Travels to India Day 1 - March 2, 2009

A 10 member delegation from Kentucky began a trade mission in India today with five meetings, including one with Dr. Abdul Kalam, past President of India. I am travelling in this group of politicians, manufacturers, and economic developers for the next week and will be relaying bits and pieces of the trip each day to give you a moment-by-moment sense of this distant country and these important discussions.

We began in New Delhi and upon venturing out of our hotel we were immediately struck by the sheer number people in this country. Whether body to body, truck to truck, or bicycle to truck, the sense of constriction in these encounters bring could easily overwhelm a person accustomed to open spaces. We continually heard a mix of languages and realized that India is even more of a melting pot than the United States. There are people:

- From many geographic regions,
- Belonging to 1 of 4 castes,
- Speaking 14 different languages, and
- Practicing 4 different religions

Finding harmony in this environment requires a focus on something common to all parties and it was shown in each and every meeting today - please come and do business with us. This desire was clearly expressed in the number of individuals at each meeting as well as by the genuine interest conveyed through energy levels, body language, and vocal expression.

We first met with representatives from the US Commercial Service, a division of the US Embassy who can assist in making contacts with individuals in each industry and company we are interested in. This was followed by a meeting with the Joint Secretary responsible for relations with the United States at the Indian Ministry of Commerce. Finally, we met with representatives from the US India Business Council and the Indian Chamber of Commerce.

Several themes emerged from these meetings. As I mentioned, the primary focus was promoting bilateral trade, whether it was import, export, or direct investment. Other themes exposed were the tremendous intentional growth in trade between the two countries and the strategic rapprochement since the November terrorist attacks in Mumbai. Finally, all parties stressed that an economic downturn is the time to invest for the long-term in order to position ourselves in a place of strength once the economy returns to a growth phase.

The day was capped with a low key, delightful visit with Dr. Kalam, the President of India from July 2002 to July 2007. Dr. Kalam greeted each of us individually and wanted to understand the nature of our visit from every person. He was eager to answer all questions and patient enough to allow a photo with each person.

It was clear however that he wished to convey a message. His quiet, yet assertive message to us relayed three things he felt most important. The first is education so that his country, and all others can move forward in the global economy. The second is that spirituality is at the core of all religions and is an important tool for us. Finally, he stressed that it is important to take care of yourself and your neighbor. This last element will have a ripple effect as we take care of our neighboring village, city, and country.

And so we were left to close the day with thoughtful, humble words from a truly visionary leader of 1.1 billion people. More to come...

Kentucky World Trade Center Delegation Travels to India Day 2 - March 3, 2009

Our second day in New Delhi began with a meeting at the Confederation of Indian Industry (CII). This 100 year-old commerce association of 7,500 members represents industry to promote a business agenda with the government. They also offer programs to help companies become more competitive and develop international business. CII recently began an effort to promote corporate responsibility supporting school education efforts and disaster relief.

As I look at the interest of each party in our group I see that our activities fall into one of the following categories:

- Searching for partners to expand our business
- Looking for new customers & suppliers
- Seeking Indian companies to invest in plants or equipment in Kentucky

No matter which of the categories in which our interests lie, a relationship with CII is a keystone in our strategy. The relationships we have begun through this meeting should prove to be a valuable asset.

Through these discussions we have learned several factors for the dramatic economic growth in India over the last seven years. During this time the federal government has turned over a significant amount of power to the states, allowing for more local control to promote business. At the same time a sea change in perception and opinion has taken place. While an orientation toward business was previously frowned upon in Indian culture, it is now considered a noble field and a requisite for economic progress and prosperity.

An unfortunate side effect of the rapid growth during this time is the strain on the existing and newly-built infrastructure. For example, it is not uncommon for the power to go out. This is due to a shortage of power, as much as 12% during peak demand situations. Vehicular traffic is a continual problem although pollution is

lowered by powering a large portion of the vehicles with compressed natural gas (CNG).

As we made our way onto the second leg of our trip, to Ahmadabad, many of us remarked about how India is a land of contrast. We were able to witness this firsthand in a few brief minutes as we observed a mass of humanity scratching out a living on the packed streets of old Delhi quickly followed by glimpses of federal judges in their crisp black robes near the parliament building.

We are also struck with the attitude of service for customers. All merchants and individuals providing a service are eager to please their customer or potential customer - with the desire for a commensurate purchase or tip. Interestingly, we have yet to encounter bitterness in events when neither purchase nor tip emerges. It drives home that message we've heard often; the Indians are in business relationships for the long haul. We're looking forward to tending to these relationships so that they will grow and prosper, bringing business to Kentucky over time.

Kentucky World Trade Center Delegation Travels to India Day 3 - March 4, 2009

Ahmadabad, in the state of Gujarat, is a progressive city and home to the most prestigious business school in the country. The variety of vegetation in Ahmadabad was a relief when compared with the more arid climate of Delhi. While rushing from a hectic meet and greet session with local entrepreneurs to a visit with the state governor, we saw flocks of sheep and camels pulling carts down foliage lined streets and highways. This montage gave Ahmadabad the feel of Mos Eisley, the bustling spaceport of *Star Wars Episode IV: A New Hope*.

The meet and greet session was hosted by the Indo-American Chamber of Commerce in a packed conference room of the palatial-sounding but rustic Sears Tower. Despite trying conditions the meeting was filled with excitement exuding from about 20 entrepreneurs looking to do business across continents. Following the requisite opening remarks from our delegation statesmen, we got down to the business of exchanging business cards, understanding what type of business we each desired to do with the other and how to take the next step.

This frenetic session provided valuable contacts for us to explore potential business relationships. The palpable level of energy exhibited by our counterparts reinforced their eagerness to do business, leaving us with more than just a stack of business cards, but more importantly a precious face to face exchange of interest and exploration representing a seed for future business and prosperity.

From our Indo-American Chamber of Commerce meeting we dashed to the Gujarat state compound for a meeting with the governor, officially known as the state's Chief Minister. The meeting in a building that could have posed as a Soviet-era government headquarters was enlightening.

We were treated to a 20 minute marketing video for the Gujarat state highlighting achievements and Chief Minister Narendra Modi's vision for the state in the coming years. Gujarat has:

- Invested in highways, data and power networks, and other infrastructure projects
- Formulated business-friendly policies
- Nurtured educational institutions of all levels
- Attracted premier business such as ABB, Bayer, Du Pont, Pfizer, and Shell Oil

During his personal visit with us Chief Minister Modi boasted that his state has 24 hours of electricity to all villages, likely the only one able to make this statement. While not traditionally an agriculture state, Gujarat now leads in agriculture due to its investment and innovations.

Targeted industries include ship building, pharma, marine biotech, tourism, and automobile manufacturing. Chief Minister Modi is not a man of modest goals. Some say his sights are on the role of President (correction, Prime Minister) of the Indian nation. Given the work that he has done to date and his charismatic personality this goal may be easily achievable.

For us, a continued close relationship with Chief Minister Modi will keep Kentucky awareness high so that we are poised as new joint opportunities become available. In the meantime higher education exchanges are viable as well as several agriculture projects.

This evening we boarded a flight for Mumbai and are now settled in for the final leg of our trip, a bevy of meetings surrounding the Innovative Technologies for Manufacturing (ITM) Expo.

I would like to make a few comments about security here. Terrorist attacks are generally not on people's minds, especially if they do not venture near likely targets such as state-owned buildings, fashionable stores, major events, or swank hotels. Security has been sporadic, from no less than six personal security checks to board an airplane to a so-called security guard waving us through a beeping hotel metal detector with briefcases in hand. Statistically speaking we have little to worry about, but the heightened measures do cause us to pause and occasionally raise a watchful eye.

Kentucky World Trade Center Delegation Travels to India Day 4 - March 5, 2009

I began my first day in Mumbai (previously Bombay) with an early morning meeting in the hotel lobby. This was my first opportunity to discuss the Indian training and development market in depth with a local resident. Some key findings are that this market is similar to the US with the exception that fees are substantially lower than in the US. This makes sense given the lower cost of living here. It is also imperative to have a consistent local presence here.

I discussed the domestic publishing market with several people. All have made the sobering point that successful books will be copied and sold at substantially less than a legitimate copy. One author commented that she is fortunate in that she has sold a substantial number of books, yet not enough to make it worthwhile to reproduce her book for sale on the street without payment to the publisher or author. Others noted that illegitimate sales are being curbed, however the practice still exists. It was also pointed out to me that books are frequently borrowed instead of purchased. Students will often share books amongst themselves or read their textbooks at the library.

The ITM Expo 2009 (Innovative Technologies for Manufacturing) trade show opened this morning with a session featuring the Governor of the state of Maharashtra, H. E. Shri. S. C. Jamir and Chief Minister Shri. Ashok Chavan. The podium was shared by our own Connie Lawson, Mayor of Richmond. A mood of optimism was ever present. The general opinion was that while the economy is currently gloomy, it will eventually revive and reverse course. As it is, there are industry segments that are continuing to grow and thrive through this downturn.

Subsequent sessions featured Jim Hizer, President of the Bowling Green Chamber of Commerce and Ying Juan Rogers, Vice President of the Kentucky World Trade Center. We have found interest in Kentucky to be high with KFC, really Kentucky Fried Chicken, head and shoulders in brand recognition above all others. The Kentucky Derby is also a well-known brand for us.

Traffic at our booth was steady with much interest in our reasons for being at the show. Not surprisingly, many individuals mentioned having done a multi-year residency in the US for either work or study. The tone of these discussions always bore affection for our country.

In a previous discussion with a reporter for The Times of India (roughly equivalent to the New York Times) we were told that the dream for most middle class Indian families is to send their children to the US for school. Their priorities tend toward children first, followed by business, and then the government. She also provided her assessment that US-India relations peaked with past President George W. Bush. The Indians feel affection for President Bush since he took a personal interest in the joint commercial nuclear pact between our countries.

National pride is strong. I noticed a great deal of respect during my first exposure to the hypnotic Indian national anthem. The Indians are proud of their heritage, proud that over 1 billion people from many tribes and religions can work toward a unified goal of prosperity, strength, and harmony. At the same time a bitter undercurrent toward past British rule and the Pakistani split occasionally emerge.

Our return walk to the hotel after dark highlighted an important issue. A segment of our route between the hotel and the World Trade Center traverses a broad pedestrian path lined by tall barbed wire walls. At one end of this path lies a large, deep, steel framed hole completely devoid of markings! Each time we approach I am vigilant, anxious to avoid the calamity awaiting a fall into this abyss. The

unwillingness to mark such a hazard is incomprehensible to our western minds. Why this remains is a good example of the mystery of the ways of this country.

Kentucky World Trade Center Delegation Travels to India Day 5 - March 6, 2009

Our second day in Mumbai began with the US Commercial Service, an arm of the US government with the mission to facilitate trade between Indian and US companies. As I mentioned previously, the trade can work in one of several ways: export, import, direct investment in either the US or India, or a joint venture. No matter which type of arrangement is sought, the US Commercial Service can help to match companies, arrange meetings, and provide procedural advice to all parties.

We were told that the corporate tax rate in India is 30% and that most money flows through Mauritius due to its status as a tax haven. The "Mauritius Route," as it is known, became popular when tax treaties were signed between India and Mauritius, preventing double taxation. The unintended effect has been that large transactions flow both ways through Mauritius, preventing taxation of any kind and reducing revenues for the Indian government.

We have been told that India is focusing on four growth areas: clean energy, civil nuclear, civil aviation, and defense manufacturing. If the past is any indication the Indians will indeed be successful on most of these fronts, if not all of them.

I have found that about a decade ago the Indian government mandated a conversion from gasoline to CNG as the primary fuel in order to reduce emissions. The effect must have been dramatic. I am continually amazed at the low level of pollution given the huge number of vehicles on the roads here. I was told that the situation was much different 10 years ago when the conversion began. While this fuel is not without its problems, from my personal experience I see a huge benefit.

Tata Motors and Mahindra are the two largest auto manufacturers in India. Tata is the current market leader and purchased Jaguar and Land Rover from Ford Motor Co. about a year ago. As Tata is busy absorbing these two purchases it is launching its latest vehicle, the Nano. This tiny, fuel efficient vehicle is set to go on sale in mid-April at a price around \$2,000. I've not dropped a zero there, it really has been advertised as 100,000 Rupees, approximately equivalent to \$2,000 at today's exchange rate. There is currently no plan to take the 32 HP, 50 MPG car beyond India. There's a bit more to this story but I'm saving it for tomorrow's entry.

The University of Mumbai hosted us for an afternoon visit with the Vice Chancellor, Dr. Vijay Khole, a position similar to a university President in the US. This venerable institution, one of the first three Universities in India, houses its administration in an elegant 150 year old building. Dr. Kohle was eager to investigate joint research and student exchange programs as well as informal academic sharing. We also discussed cultural differences and their effect on student achievement. As he had done on several other occasions, Russ Meyer, Mayor of Nicholasville, honored Dr. Khole with a key to the city.

We rounded out the day with a cordial visit with the Mayor of Mumbai, Dr. Shubha Raul, in her "Bungalow." I don't know about you, but when I hear the word bungalow I think of a small house with a front porch and dormers on the roof. Well, the 15 million inhabitants of Mumbai provide a residence for their mayor in the form of a 100 year old, multi-story stone "bungalow" on the bay. We gathered around a huge table and compared cultures, city governments, and municipal problems and visions.

We learned that Mrs. Raul is a medical doctor with concern and care in her heart for all of Mumbai residents. While she admits that it is impossible to keep control of this huge number of residents of a democracy, she has instituted popular changes and is open to meeting with residents directly.

Kentucky World Trade Center Delegation Travels to India Day 6 - March 7, 2009

I ventured out on my own today for an early morning meeting at Welingkar Institute of Management to discuss the possibility of student exchanges or cross promotion with US business schools. Welingkar is a relatively new, but highly respected school, founded through a trust in 1977. They have no undergraduate students and are geared mainly toward MBA students, but have a few Ph.D. candidates. In response to demand they will create short two to three week custom programs for up to 10 students. Welingkar believes in a holistic approach, requiring all first year students to take yoga classes two to three times a week and encouraging them to continue into the second year.

Welingkar has embarked on a unique social program. Those of you who saw *Slumdog Millionaire* caught a glimpse of Mumbai's Dharavi slum, the largest in Asia. There are many more in Mumbai. Undergraduate students from the slums will sometimes drop out to provide income for their families. Welingkar's program selects a very small number of dropout students for the program and pays a stipend to the family to substitute for the lost income in addition to paying for tuition, food, and lodging. This allows the student to move up and provide a better life.

I joined the full delegation for a meeting with Essar Group, a huge conglomerate based in Mumbai. One of Essar's primary businesses is steel. It is famous for its purchase of Algoma Steel in June 2007 for \$1.85B Canadian and purchase of 1.4 billion tons of iron-ore reserves through the acquisition of Minnesota Steel. They are also in the insurance, financial, and telecommunications business.

Aegis, is an Essar company in the "Business Process Outsourcing (BPO) market. Their model is to staff in local countries rather than pursuing the lowest cost areas. They feel that all decisions have an emotional as well rational component and like to take care of the people in the local economies. Essar remains a family business and intends to keep family values. Despite the meltdown of the world economy no lay-offs have taken place at Essar companies. Essar did not seem to be familiar with Kentucky and so a full court press was put on.

Now back to the slums... Nestled between Essar's 21 story world headquarters and a golf course is a small slum. Several years ago a government building was built adjacent to the slum for the residents so that it could be demolished. Surprisingly, only about half of the slum residents moved. Individuals from outside Mumbai then moved into the vacant slum buildings and "houses" provided by the government. I say "houses" because I hesitate to call 225 square feet a house.

The final meeting of the day was a pleasant visit with the governor of the Maharashtra state, H. E. Shri S. C. Jamir. This pleasant exchange should help rebuild some goodwill between our nations.

I've saved a legendary story for this last segment. I think many Kentuckians will relate to this... Tata Motors purchased land for its Nano car factory in the state of Bengal, on the eastern side of India. The factory was about 90% complete but violence erupted as farmers and activists claimed they had not been properly compensated. Tata ultimately pulled the plug on the plant when the state of Gujarat (remember Chief Minister Modi from Day 3?) offered a building and a plot of state-owned land. While we don't know each and every detail on the arrangements in either state, I find it interesting that economic development operates in a similar manner in India.

And finally, bear with me as I venture out on a philosophical tangent... I personally feel that our cosmos consists of a universal energy constantly moving forward, tugging us along firmly but gently. True to its ancient heritage, India is the epitome of this energy. Immersed in the midst of a sea of Indians walking a bustling street or standing alone on a rural path, the sense of energy moving forward is palpable. India is a country in motion. It is clear; it will find its way no matter what happens locally or globally. The choice is ours - get on board and enjoy the ride or stay on the porch. Along with others in our delegation, I have made my decision: I'm in.

In the meantime, most of the delegation is returning to Kentucky. As for me, I'm heading on to Bangalore to explore additional possibilities, practice yoga in its land of origin, and concentrate on cranking out a few chapters on my leadership books...

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